DECEMBER 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

OFFBEAT PROGRAMS

WHY COMPANIES CONJURE UP STRANGE INCENTIVES

FAIL-SAFE STRATEGIES

HOW TO CREATE SAFETY MEASUREMENTS

HITTING HOME RUNS

TIPS FROM TOP SPORTS MARKETERS

'FACTS' SURVEY

LATEST TRENDS IN INCENTIVE SPENDING

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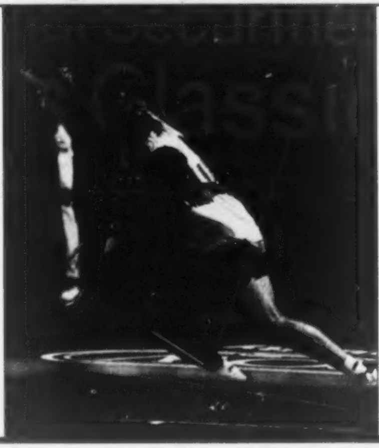

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INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

WHY NOT MOTIVATION 101?

BY BRUCE BOLGER

As economists continue to search for the fundamental components of growth and prosperity, I wonder to what extent they've overlooked the role of employee motivation. It seems to me that the motivation of a work force—indeed, of a population at large—represents one of the most fundamental yet under-studied determinants of the success of a business or a country.

In Economics 101, we learned about the connection between productivity and prosperity. Increasing per-person output enables companies to pay employees more and provide them with increased benefits that directly contribute to their material quality of life. We learned that myriad factors contribute to productivity, including research and development, automation, capital formation and training.

What about motivation?

I know of no research correlating employee motivation with success at either the corporate or government level, but certainly, anecdotal evidence strongly supports a fundamental link. Look at companies like Wal-Mart, Federal Express and American Airlines, all of which have emphasized the importance of involving and motivating employees. To be sure, each has its own shortcomings and problems, and even the best motivational programs aren't a solution to problems at the technological, market or financial levels. Yet each of these companies has outperformed major competitors by clearly defining a standard of service and mobilizing people at all levels to achieve it and even surpass it.

A similar situation exists in national economies. More than in any other nation, workers in Japan are committed to continually improving products and services to meet changing consumer needs. Indeed, many in Japan fear that a lack of motivation in the younger generation threatens the growth and prosperity so painstakingly built after the war. The global collapse of communism further supports the premise. Many would argue that communism zapped people's incentive to continuously improve, leaving a national work force too stagnant to significantly upgrade productivity or compete in the international arena.

It seems to me that such compelling evidence indicates a pressing need for some form of scientific analysis of what contributes to the motivation of a people and how this motivation, in turn, contributes to prosperity. Such research undoubtedly would provide key insights for mobilizing people to continually improve their productivity, and thus their potential for an improved standard of living.

Bruce Bolger

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1991 FACTS SURVEY

Budgets for incentive marketing and employee motivation campaigns slipped in 1991, with overall expenditures—as estimated in **Incentive**'s year-long series of surveys—edging up only 1.5 percent from last year, falling below the rate of inflation and making their weakest showing since 1974.

The new total estimate for the whole field comes to $17.2 billion. In a pie that size, the increase of less than $255 million represents a small additional slice. Given inflation, the climb actually means about a 3-percent decline in real activity.

Sales incentives, often in the vanguard in recent years, paced the field with a 4.6-percent advance in usage. Though sales-force campaigns hit a 10-year low in results, the average sales-campaign yield of 16.2 percent did help many sellers maintain market share and pick up a little new business.

Spending for sales incentives, in fact, was up $260 million, meaning that total usage in all other categories fell slightly. The low point was registered in consumer premiums (a drop of 0.4 percent), thanks mainly to a major drop in retail activity; product promotion to consumers by manufacturers showed a little more staying power. Another decline: the 0.1-percent drop in business gifts—clearly an area ripe for cutting in tight times.

> The recession bares its teeth and takes a bite out of incentive budgets.

Incentive's FACTS surveys during the year also unmasked a bit of early optimism for the promised end of the recession and the hoped-for recovery. The study on dealer incentives (see April 1991, p. 48) found respondents forecasting a modest but hopeful rise of 4.8 percent in their spending on promotion to retailers, distributors and wholesalers; that compares with this month's final estimate of only 0.7 percent, reflecting a net decline in real activity and a clear ebbing of optimism.

Similarly, consumer-premium users claimed earlier this year (see May 1991, p. 90) that they would spend an average of 7.3 percent more on promotions in 1991; this eventually shrank to a 0.4-percent drop when the final estimates came in at year's end. It's remarkable that usage did not fall more, in view of a recent study by the Association of National Advertisers showing a 12-percent cutback in corporate ad budgets in 1991. (No figures on sales promotion spending were reported among the 174 ANA member firms.) The consumer estimates are heavily affected by retail figures, which declined by 10.9 percent in spending this year. Product promotion by manufacturers and distributors did show a gain of 3.7 percent.

Overall, this year's performance represents a 17-year low point in incentive growth. Even in the recession year of 1982, expenditures rose by an estimated 4.5 percent—although the move was wiped out by a 5-percent inflation rate. The last significant drop was recorded in 1974, when marketers' use of incentives was counted at slightly more than $4.8 billion, down 3.8 percent from the $5 billion logged in the previous year; inflation at that time was a mammoth 12.3 percent.

The Incentive Field At A Glance

	1991 Estimated Expenditures	1990 Estimated Expenditures	% Change
SALES INCENTIVES	$5,913,010	$5,652,900	+4.6%
Merchandise	4,351,173	4,152,838	+4.8%
Travel	1,561,837	1,500,062	+4.1%
DEALER INCENTIVES	$3,101,970	$3,080,050	+0.7%
Merchandise	2,031,033	2,022,415	+0.4%
Travel	1,070,937	1,057,635	+1.3%
MERCHANDISE TOTAL	$6,382,206	$6,175,253	+3.4%
TRAVEL TOTAL	$2,632,774	$2,557,697	+2.9%
BUSINESS GIFTS	$1,754,782	$1,757,005	-0.1%
CONSUMER PREMIUMS	$6,484,071	$6,508,882	-0.4%
TOTAL ESTIMATED USAGE	$17,253,833	$16,998,837	+1.5%

ALL FIGURES IN THOUSANDS

Incentive Usage By Industry

INDUSTRY	Est. 1991 Expenditures	% Change From 1990
Food Industry	$1,866,185	+4.1%
Toiletries & Cosmetics	1,233,621	+5.7%
Auto Parts, Tires, Accessories	962,426	+0.7%
Insurance	848,022	+7.5%
Electronics, Radio, TV	550,995	+4.8%
Automobiles & Trucks	550,661	-2.5%
Building Materials	416,217	+4.4%
Publishers, Printers, Broadcasters	339,354	+1.5%
Heating & Air Conditioning	332,952	0.0%
Petroleum Products	322,692	+1.1%
Office Equipment	319,535	-1.4%
Beer, Ale & Soft Drinks	283,069	+3.6%
Detergents & Cleansers	265,669	+6.6%
Electric Appliances	245,145	+1.1%
Farm Equipment	233,213	+5.6%
Feed, Fertilizer & Farm Supplies	228,875	-2.8%
Banks and Savings & Loan	228,470	+7.0%
Pharmaceuticals	217,643	+6.1%
Machinery & Supplies	191,677	+2.0%
Housewares & Home Furnishings	187,822	-10.0%
Electrical & Lighting Equipment	145,553	+1.4%
Industrial Chemicals	128,300	+3.1%
Furniture & Floor Coverings	105,793	+2.2%
Paper Products & Packaging	105,153	+3.3%
Paints & Varnishes	68,369	+0.1%
Apparel	62,703	-2.0%
Sporting Goods & Toys	58,042	-0.2%
Hardware	38,071	+0.8%
Public Utilities	33,406	+9.4%
Miscellaneous Manufacturers	1,022,121	+4.3%
Miscellaneous Services	1,107,084	+1.8%
Wholesalers & Distributors	1,705,724	+4.5%
Retailers	2,849,271	-4.7%

ALL FIGURES IN THOUSANDS

A longstanding myth holds that incentive promotion is "recession-proof." However, it is naive to suppose that a practice so pervasive in all areas of business can possibly escape the effects of a downturn. Incentives offered to consumers and dealers are characteristically tied in some with some form of sales activity; if the sales lag, the incentives aren't awarded. As for business gifts, they're highly discretionary, and thus easily pared to match any belt-tightening.

Apart from sales incentives, the only category to hold so much as a 1-percent gain is dealer travel, up 1.3 percent in spending. One reason for the staying power: Most 1991 travel expenditures were planned very early in the year, if not in 1990. Once they were announced, most users didn't have the option (or the heart) to cancel or cut back basic plans.

Industry patterns. Not all industries behaved alike, of course, and a few showed advances. Seven industries spent at least 5 percent more this year than in 1990.

As a group, the industries with the biggest increases also represent a relatively large share of total spending for incentives—thus keeping the overall total of expenditures from dipping into negative ground. The seven showing a growth of 5 percent or more account for 18 percent of all the dollars spent this year. The six laggards represent only about 8 percent of the field, and so exerted far less pressure on the total.

For the second straight year, travel growth in the trade categories has fallen behind spending for merchandise awards—after a number of years when travel outstripped the more tangible goods. Users' reports on sales-program results offer some explanation. In 1990, when travel usage slipped behind merchandise growth by 2 percentage points, the average sales yield of programs offering trips to salespeople and dealers stood at 16.7 percent, only a hair better than the 16 percent reached in 1989 (following a 21-percent report in 1988). This year, **Incentive**'s travel survey found a nine-year low in the average sales increment—just 14.5 percent—where users had been accustomed to yields of between 17 and 21 percent.

This apparent slippage in travel-program results may explain the moves in spending patterns this year: Travel increased by 2.9 percent, while merchandise spending went up an estimated 3.4 percent. In campaigns aimed at dealers, however, the picture was different, with travel spending outstripping merchandise expenditures.

SALES INCENTIVES

Despite the recession, 41 percent of the salespeople who were offered incentives this year reached their goals and won awards. That figure was a point better than 1990 and the best since 1988.

Sales gains in those campaigns, however, did not reach the heights they attained in earlier years. They averaged 16.2 percent, after an 18.4-percent year in 1990. Combined with the higher qualification rate, this likely indicates that corporate sales goals were scaled back to match economic realities. Yet, users of sales incentives say they held market share and maximized the sales potential that existed.

The sales-incentive survey conducted earlier this year (see September, p. 60) showed that users were giving high priority to "new business" as a campaign objective—with "selling new accounts" the second-most popular objective. "Overall volume increase" was favored by 53 percent, compared with 44 percent who chose that as the chief goal a year earlier. Sales incentive users also achieved results at the lowest cost (as expressed as a percentage of incremental sales) since 1987, spending just 12 percent of incremental sales gains on the average; the median held firm at 10 percent. Total spending this year for sales-force motivation is estimated at $5.9 billion, up from $5.65 billion a year earlier. This 4.6-percent rise in spending was a bit more than what executives had estimated in the mid-year survey; those users had forecast budget increases of just 3.5 percent.

Sales incentives also reached an all-time high in share of the total incentive field—34 percent, up one point from last year. As a comparison, dealer incentives accounted for 18 percent in both years.

Four industries stood out as heavy spenders for sales incentives during the year, adding more than 8 percent to their plans. Not all industries were optimistic, however. There were seven industries that reported minus figures for their sales incentive spending in 1991, as the following list shows:

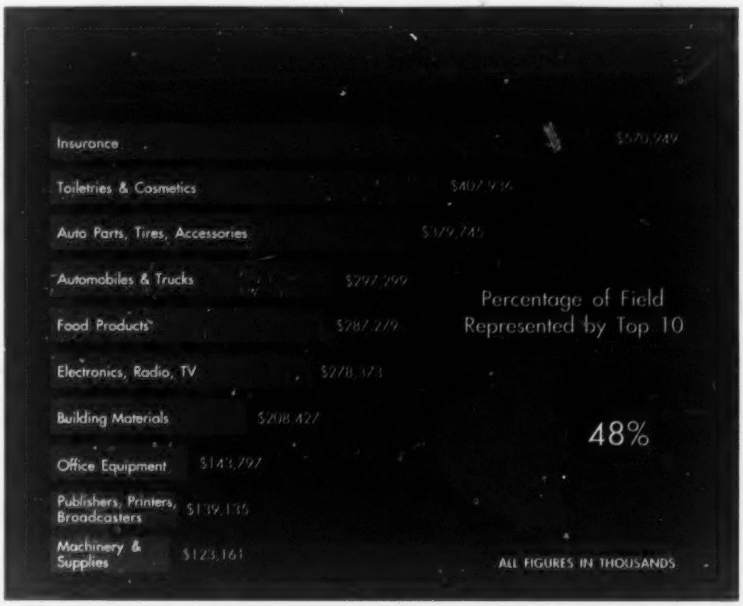
Apparel	- 1.7%
Auto Parts, Tires & Accessories	+ 4.7%
Automobiles & Trucks	+ 7.0%
Banks and Savings & Loans	+ 5.2%
Beer, Ale & Soft Drinks	+ 8.2%
Building Materials	+ 4.5%

Detergents & Cleansers	+ 9.7%
Electric Appliances	+ 2.6%
Electrical & Lighting Equipment	- 1.6%
Electronics, Radio & TV	+ 4.9%
Farm Equipment	+ 7.2%
Feed, Fertilizer & Farm Supplies	- 2.1%
Food Products	+ 6.6%
Furniture & Floor Coverings	+ 2.2%
Hardware	+ 1.4%
Heating & Air Conditioning	- 1.4%
Housewares & Home Furnishings	- 8.5%
Industrial Chemicals	+ 6.9%
Insurance	+ 9.1%
Machinery & Supplies	+ 1.5%
Office Equipment	- 2.0%
Paints & Varnishes	+ 4.3%
Paper Products & Packaging	- 1.0%
Petroleum Products	+ 4.4%
Pharmaceuticals	+ 5.3%
Public Utilities	+12.9%
Publishers, Printers & Broadcasters	+ 1.7%
Sporting Goods & Toys	+ 1.8%
Toiletries & Cosmetics	+ 1.3%

Distributors & Wholesalers	+ 5.4%
Retailers	+ 7.3%

The survey estimates include expenditures for both merchandise and travel, but they don't account for cash awards given by some marketers. However, **Incentive**'s sales survey in 1990 and again this year included a question on users' rating of cash as an incentive award. In a recession, when sales commissions dip, the question arises: Does this make offering cash prizes more attractive? Responses in the past two years suggest that the tough times have not had that effect.

In 1990, 31 percent of surveyed executives said they favored cash; this year, however, those opting for money dropped to just 24 percent. Travel was the big gainer in award preference, rising from last year's 36 percent to a favorable rating of 49 percent this year. Still, travel spending for sales incentives increased 4.1 percent, compared with a 4.8-percent growth in merchandise budgets over 1990 levels. For a variety of reasons—war and recession prime among them—this was not a year for some to act on the feeling that travel might be a better choice.



DEALER INCENTIVES

A select group of dealers surveyed by **Incentive** earlier in the year indicated they would spend 4.8 percent more than in 1990 for this year's programs—about a third less than 1990's growth rate. These executives also said they expected considerably higher award costs this year, but they also anticipated strong participation and a higher sales gain—over 18 percent on the average.

That was then (February), this is now; their minor optimism came to look quite starry-eyed when viewed a few months later. In the end, estimates for the year indicate only a 0.7-percent increase in current-dollar spending. The survey estimates now say dealer incentive outlays for the year stand at $3.1 billion, a budget gain of less than $22 million over 1990.

Nothing suggests that those early respondents found their individual award costs any lower than they had expected. But it now seems likely that their campaign qualifiers have been fewer than planned, and the sales growth leaner. An incentive-travel survey conducted six months later found respondents—including many dealer incentive promoters—experiencing a significant drop in their travel-campaign sales results, from a 16.7-percent yield last year to a nine-year low of 14.5.

Certainly the incentive plans are there, but the sales to earn the awards are simply not being made. No one can know, of course, how much further any marketer's sales might have declined without the incentives; this is exactly why many incentive users remain relatively happy even when big gains aren't registered.

Expenditures for dealer travel held up a little better than for merchandise; travel rose by 1.3 percent over last year's budgets, to about $1.07 billion, while the bill for merchandise went up only 0.4 percent, to $2.03 billion.

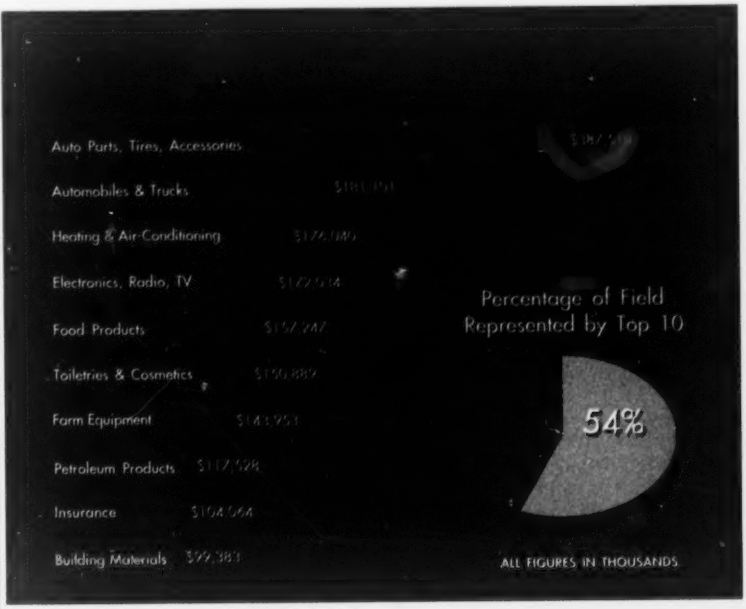
Only six industry groups showed actual minus figures in the estimated totals, while at the other end of the scale, a half-dozen groups increased their dealer incentive spending by more than 5 percent.

Here is how all the tabulated industries changed their budgeting for dealer incentives this year:

Apparel	+ 5.1%
Auto Parts, Tires & Accessories	+ 3.0%
Automobiles & Trucks	-11.7%
Banks and Savings & Loans	- 4.3%
Beer, Ale & Soft Drinks	+ 4.1%
Building Materials	+ 1.7%
Detergents & Cleansers	+ 8.1%
Electric Appliances	+ 1.7%

Electrical & Lighting Equipment	+ 6.6%
Electronics, Radio & TV	+ 4.7%
Farm Equipment	+ 4.6%
Feed, Fertilizer & Farm Supplies	- 1.4%
Food Products	+ 4.0%
Furniture & Floor Coverings	+ 3.0%
Hardware	+ 1.2%
Heating & Air Conditioning	+ 0.9%
Housewares & Home Furnishings	-17.2%
Industrial Chemicals	+ 1.3%
Insurance	+ 5.8%
Machinery & Supplies	+ 1.9%
Office Equipment	+ 3.7%
Paints & Varnishes	- 0.3%
Paper Products & Packaging	+ 1.2%
Petroleum Products	+ 7.4%
Pharmaceuticals	+ 2.6%
Public Utilities	+10.5%
Publishers, Printers & Broadcasters	+ 0.1%
Sporting Goods & Toys	- 0.9%
Toiletries & Cosmetics	+ 3.0%

Distributors & Wholesalers	+ 3.7%
Retailers	+ 0.2%



In this year's earlier survey of dealer incentive users, readers reported the largest increases in unit award costs in many years. For merchandise, the average price rose by 84 percent. Though averages tend to mislead in these surveys—a few very large entries can distort greatly—the more stable median figure exploded similarly, to $125, where the median had been either $50 or $60 in each of the previous four years.

Costs for travel users rose by 33 percent on the average, to $2,656. The median went up 40 percent, to $2,100 this year from $1,500—and was 14 percent above the highest-previous mark of $1,850 set in 1989.

With such a cost escalation built into the estimates early in the year, it was clear that fewer awards were factored into the plans: It would have been difficult to squeeze the large reported price increases into budgets that grew by only 4.8 percent over the year before.

Marketers offering dealer incentives set a different standard for measuring their results this year. In evaluating programs last year, 46 percent used dealer orders as a major factor. In this year's survey, 62 percent gave that measure top priority.

Niceties aside, the watchwords were, "Get the order."

INCENTIVE TRAVEL

Incentive-travel planning in 1991 featured some tightening of purse strings in an effort to get the same bang for a smaller buck. Some companies shortened trips, chose domestic instead of foreign sites, left spouses home, and/or let more in-house staffers tackle the chores the incentive firms used to do for them.

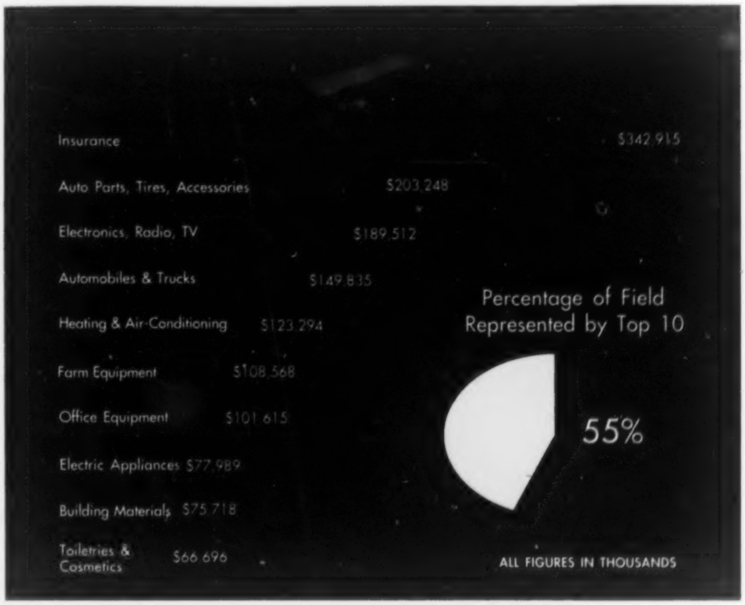
Such moves were fairly isolated, however, and most users stayed with basic plans and used a little restraint to hold costs down in the recession. A subtle shift in objectives was part of the tack. Fewer chose "new-account sales" as the objective for their campaigns, with more emphasis placed on "building morale" and "bolstering a slow season."

Oddly, the decline of new business as a key objective—from a 51-percent choice last year to only 39 percent now—ran counter to responses in earlier sales-force and dealer incentive surveys. In last year's surveys, "sell new accounts" gained more favor than any other target.

In **Incentive**'s travel survey in October, travel users had forecast that 1991 expenditures would be up 3 percent from the previous year; the final figure of 2.9 supported their early judgment. The total estimate for travel programs: $2.6 billion—59 percent of it for sales-force motivation and 41 percent spent on dealer promotion. Sales incentives accounted for the lion's share of growth, at a 4.1-percent rate, while dealer travel rose an estimated 1.3 percent.

Concerning travel-program price tags, this survey found only a moderate rise experienced by most. The per-person trip cost averaged $1,890—up $85 and 4.7 percent from 1990. The median of $1,600 was up $100, 6.7 percent higher than last year. Meanwhile, marketers in the dealer survey said they spent an average of $1,658 per person on travel, and the sales-survey respondents paid an average of $1,534—compared with $1,890 per person in the travel-only study.

The reason for the discrepancy: Only 54 percent of executives responding in the travel survey offer any merchandise awards, while about 80 percent of those in dealer and sales groups are merchandise users. Marketers who combine merchandise and travel in their campaigns tend to give more individual travel awards, plan shorter trips and use more domestic destinations for groups. Such practices naturally depress the averages when compared



with the more elaborate programs of many exclusive travel users targeted in the travel-only survey.

Five industries this year have expanded their travel programs well beyond the average, by more than 6 percent. Banks and savings-and-loans have upped their modest travel budgets by 16.3 percent, and public utilities spent an estimated 9.6 percent more. Also moving up in expenditures for travel are apparel, farm equipment and food products.

Here is how all the industries budgeted their travel efforts this year:

Apparel	+ 8.8%
Auto Parts, Tires & Accessories	+ 5.3%
Automobiles & Trucks	-16.0%
Banks and Savings & Loans	+16.3%
Beer, Ale & Soft Drinks	+ 0.9%
Building Materials	+ 1.8%
Detergents & Cleansers	+ 4.8%
Electric Appliances	+ 3.1%
Electrical & Lighting Equipment	+ 4.5%
Electronics, Radio & TV	+ 4.0%
Farm Equipment	+ 8.5%
Feed, Fertilizer & Farm Supplies	- 3.5%
Food Products	+ 6.3%
Furniture & Floor Coverings	+ 3.2%
Hardware	+ 2.4%
Heating & Air Conditioning	+ 3.1%
Housewares & Home Furnishings	-10.2%
Industrial Chemicals	+ 0.1%
Insurance	+ 4.1%
Machinery & Supplies	+ 4.6%
Office Equipment	+ 0.4%
Paints & Varnishes	- 0.6%
Paper Products & Packaging	- 2.3%
Petroleum Products	+ 5.4%
Pharmaceuticals	+ 4.1%
Public Utilities	+ 9.6%
Publishers, Printers & Broadcasters	+ 3.7%
Sporting Goods & Toys	+ 0.7%
Toiletries & Cosmetics	- 0.1%
Distributors & Wholesalers	+13.6%
Retailers	+ 5.6%

Although the recession has squeezed many travel users' plans, many respondents revealed this similar sentiment: Incentive programs are a positive force in the world of sales, and this isn't a time to retreat from the battle.

CONSUMER PREMIUMS

Consumer incentive promotions dropped slightly this year, with marketers spending 0.4 percent less on incentives than last year.

Within this category, however, there was plenty of varied activity, with retailers writing the worst record (a 10.9-percent decline) and product promoters eking out 3.7 percent in budget additions.

The final estimate of consumer incentive spending is $6.5 billion. About $4.8 billion was spent by the primary producers of products and services, an increase of $175 million. The other $1.63 billion represents offers by retailers—$199 million less than they spent in 1990. Supermarkets, which contribute more than three-fourths of all retail incentive activity, pulled back 9.3 percent, while other retailers slumped even more.

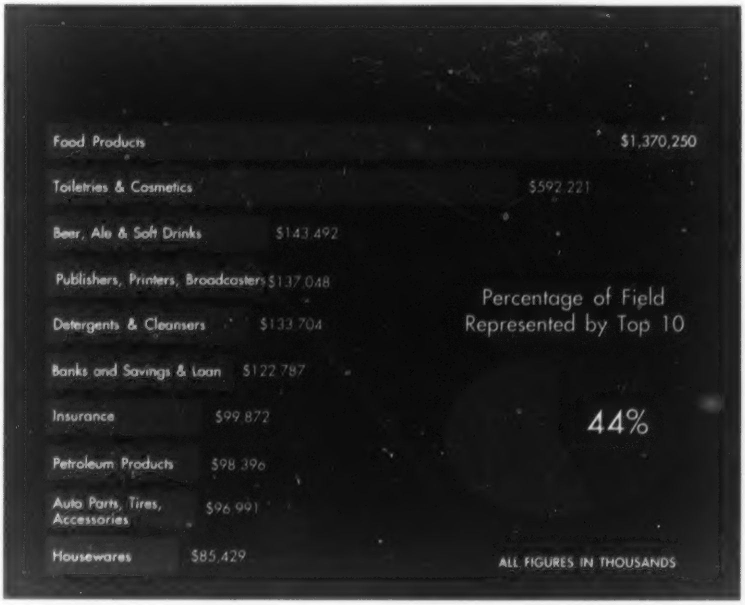
Product marketers showed some reduction in the use of the widely advertised self-liquidator and free mail-in offers—a natural accompaniment to the 12-percent drop in advertising volume reported by the Association of National Advertisers in October. About 8 percent of the promotions mentioned in the FACTS survey on consumer incentives earlier this year were self-liquidators, and 13 percent were free mail-ins. Some 20 percent of the advertised promotions were sweepstakes. Direct premiums were, as usual, the most often-used promotion, with offers to business buyers topping the list at 26 percent of all campaigns listed. Close behind were direct premiums to the consumer—24 percent of the total 1,101 promotions cited by survey respondents. Factory-pack direct offers—on-packs, in-packs and container premiums—accounted for 7 percent, and 2 percent of the users reported using continuous coupon plans.

On the retail side, supermarket continuity and tape-redemption programs declined by 9.7 percent; trading stamps and other frequent-buyer promotions were off by 3.9 percent, and games were cut back by 16 percent. All the non-grocery retailers, who most often give direct premiums to customers with purchases, reduced their incentive promotions by 15.7 percent.

For consumer marketers, the year's results betray an optimistic start. In their responses to **Incentive**'s earlier survey, they had forecast a 7.3-percent rise in their promotional spending this year, only a notch above the 1990 growth rate of 6.6. The difference is just one of many disappointments in the marketplace this year for most industries.

These consumer premium users

Circle No. 116 on Buyer Action Card →



expected a sales yield of 18.3 percent from their promotions, up from the average of 18.1 percent they reported for 1990. Since no recent surveys bearing this question have been conducted, one can only guess at how the intervening months have lowered those expectations.

Among sellers of products and services, a dozen industries dropped below last year's estimated expenditures, with negative figures ranging from 0.4 percent to 9.8 percent. The worst record of -9.8 percent belongs to apparel, but three others—automobiles and trucks; auto parts, tires and accessories; and petroleum products—cut back their consumer incentive spending by 7 percent or more.

On the brighter side, five groups added anywhere from 6.4 to 11.9 percent to their budgets this year. The following shows the performance of all tabulated industry groups relative to last year's expenditures:

Apparel	- 9.8%
Auto Parts, Tires & Accessories	- 7.6%
Automobiles & Trucks	- 8.1%
Banks and Savings & Loans	+ 4.8%
Beer, Ale & Soft Drinks	+ 1.1%
Building Materials	+ 6.4%
Detergents & Cleansers	+ 4.2%
Electric Appliances	+ 0.9%
Electrical & Lighting Equipment	- 0.7%
Electronics, Radio & TV	+ 5.9%
Farm Equipment	+10.4%
Feed, Fertilizer & Farm Supplies	- 5.2%
Food Products	+ 3.6%
Furniture & Floor Coverings	- 1.4%
Hardware	+ 0.2%
Heating & Air Conditioning	- 0.4%
Housewares & Home Furnishings	- 4.4%
Industrial Chemicals	+ 0.6%
Insurance	+ 5.9%
Machinery & Supplies	+ 4.2%
Office Equipment	- 4.9%
Paints & Varnishes	- 4.9%
Paper Products & Packaging	+ 6.8%
Petroleum Products	- 8.4%
Pharmaceuticals	+ 4.5%
Public Utilities	+ 8.3%
Publishers, Printers & Broadcasters	+ 1.3%
Sporting Goods & Toys	- 1.3%
Toiletries & Cosmetics	+11.9%

Distributors & Wholesalers	+3.7%
Retailers	-10.9%

The recession affected the asking prices of self-liquidating premium offers, which declined from the 1990 level. Last year, the average for such offers was $18.80, and the median $8.95. In this year's reports, the users showed an average of $14.57 and a median of $6.95. These same marketers reported liquidating only an average of 67 percent of the cost in a self-liquidator, a lower figure than in recent studies.

Overall, it appears that scaling back the asking prices in some cases is a move to make the offers more attractive to cash-conscious consumers. The move might also have been designed in some cases to cut the perceived losses in a program that doesn't come close to liquidating the costs.

Ironically, however, this comes in an atmosphere in which 65 percent of the users also said they add an amount—stated separately, often in small type—for "postage and handling" (or a similar euphemism)—which seems to contravene the concept of a self-liquidator and what it was originally designed to liquidate.

BUSINESS GIFTS

Come holiday time later this month—the time when three quarters of all business gifts are given—most of the corporate Santa Clauses hope people won't notice the difference. Few have made sharp cuts in their gift budgets, but about 30 percent told **Incentive** in the mid-year survey (see July, p. 74) that they planned to shave a little off the cost of each gift, and maybe even lop a few recipients from the list.

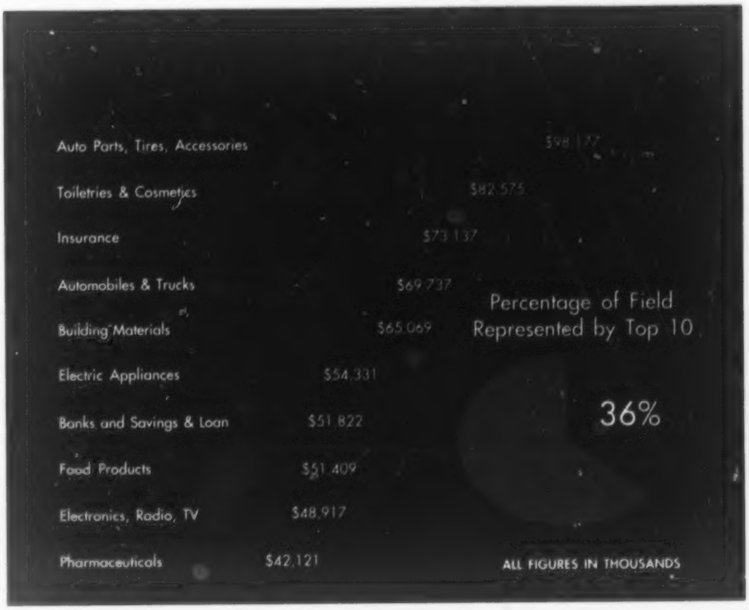
By year's end, it is estimated the result will be a decline of 0.1 percent in total spending—or about $1.7 billion—only $2.2 million less than the 1990 tab.

Business-gift expenditures last year were estimated at 7.4 percent above 1989 levels, but this year, most incentive users funneled dollars toward motivating sales forces. Business gifts fall somewhere between the volume-sensitive types of promotion and the hard-sell realms of sales incentives. They are seen by many as largely discretionary and not yielding any direct sales benefit. In other words, they appear to be the easiest category to eliminate.

Although there was no growth in business-gift spending, 19 of the tabulated industries actually indicated some increases. Most, however, were very small. Four of them managed to keep their generosity up by 4 percent or more above 1990 spending. For instance, at pharmaceutical companies, where gift-giving is a major practice, executives increased their budgets this year by 13.7 percent.

Here's how all of the industry groups dealt with business-gift budgeting this year:

Apparel	+ 3.1%
Auto Parts, Tires & Accessories	-12.5%
Automobiles & Trucks	-11.9%
Banks and Savings & Loans	- 6.1%
Beer, Ale & Soft Drinks	+ 0.9%
Building Materials	+ 7.0%
Detergents & Cleansers	+ 7.7%
Electric Appliances	- 1.2%
Electrical & Lighting Equipment	- 3.8%
Electronics, Radio & TV	+ 3.3%
Farm Equipment	+ 5.1%
Feed, Fertilizer & Farm Supplies	- 0.8%
Food Products	+ 4.6%
Furniture & Floor Coverings	+ 0.7%
Hardware	- 2.2%
Heating & Air Conditioning	+ 0.9%
Housewares & Home Furnishings	-18.2%
Industrial Chemicals	+ 1.8%
Insurance	+ 0.4%
Machinery & Supplies	+ 3.3%
Office Equipment	+ 2.3%
Paints & Varnishes	+ 1.9%
Paper Products & Packaging	+ 3.6%
Petroleum Products	+ 3.5%
Pharmaceuticals	+13.7%
Public Utilities	+ 9.5%
Publishers, Printers & Broadcasters	+ 2.2%
Sporting Goods & Toys	-1.4%
Toiletries & Cosmetics	-6.7%
Distributors & Wholesalers	+4.8%
Retailers	-1.5%



NON-SALES AWARDS

In the drive for productivity and quality in the workplace, more American companies are using incentive awards to motivate their non-selling employees. But spending slowed in 1991, to an average of about 2.4 percent more than 1990 outlays, according to a mid-year **Incentive** survey of non-sales incentive-program users (see June, p. 40).

Still, the number of users has increased greatly. **Incentive** first surveyed employee incentives in 1988. The following year, all executives in the annual usage surveys were asked for estimates of their expenditures for employee awards, along with all other forms of incentives. The same data have been gathered in each survey since then—although the editors have not yet determined that the findings are reliable enough to be included in the total individual-industry reports that follow this story.

But the response rate is revealing. In 1989, about 24 percent of all survey respondents said they gave non-sales incentives; the next year, that figure rose to 27 percent. In the 1991 surveys, 40 percent have provided figures for employee awards.

Because this information is a relatively new part of the survey, one can't say firmly that the users have increased from 27 percent of respondents to 40 percent in one year—without being certain of all the factors that might bias the result. Yet it seems certain that many more companies are adopting employee motivation programs each year.

Office workers remain the key targets of these programs, with office productivity cited as the single most common objective, embraced by 57 percent of respondents. Plant productivity runs second at 35 percent; suggestions and quality control are close behind, at 34 percent each. More than 30 percent of respondents offer safety awards, and attendance is the objective for 17 percent. Thirty-one percent report giving length-of-service awards.

One problem in defining this field and the dollars spent is the fairly large incidence of cash awards. Use of merchandise and travel is increasing, but respondents in the mid-year survey reported that 30 percent of their expenditures are still for cash awards. In all, 53 percent of the executives said they use some cash. Merchandise awards accounted for 32 percent of this year's spending, and travel 17 percent; the remaining 21 percent went for recognition awards.

Incentives for non-sales employees have long suffered from the same prejudice that beset sales incentives in many companies: the contention that "people are paid to do the job" and there's no need to offer anything extra as an incentive. But as productivity and quality become high-profile goals for all businesses, the foundations of that argument are cracking. Incentives are becoming more fashionable in the factory and the office. □

INCENTIVE SPENDING: THE YEAR IN REVIEW

Following are the estimated incentive expenditures in all categories for 32 industries surveyed throughout the year.

Note that **Incentive***'s estimates of consumer expenditures have been treated differently this year, as shown in the following industry tables. The breakdown of figures in two categories—mail-in offers and direct premiums in most industries; sweepstakes, games and continuity programs for retailers—has been eliminated. Consumer expenditure estimates are now presented in a single line for each industry.*

MANUFACTURING INDUSTRIES

	EXPENDITURES 1991		EXPENDITURES 1990	
APPAREL	**$ 62,703,000**	**− 2.0%**	**$ 63,982,000**	**+ 2.5%**
● TRADE INCENTIVES				
Sales force merchandise	$ 20,042,000	− 4.2%	$ 20,921,000	+ 8.9%
Sales force travel	$ 5,160,000	+ 9.2%	$ 4,725,000	− 3.7%
Dealer merchandise	$ 8,872,000	+ 6.2%	$ 8,354,000	+ 2.8%
Dealer travel	$ 472,000	+ 4.4%	$ 452,000	− 4.1%
● BUSINESS GIFTS	$ 12,125,000	+ 3.1%	$ 11,760,000	+ 4.1%
● CONSUMER PREMIUMS	$ 16,032,000	− 9.8%	$ 17,770,000	− 3.6%
AUTO PARTS, TIRES, ACCESSORIES	**$ 962,426,000**	**+ 0.7%**	**$ 955,838,000**	**+ 6.8%**
● TRADE INCENTIVES				
Sales force merchandise	$ 267,552,000	+ 4.6%	$ 255,869,000	+ 7.9%
Sales force travel	$ 112,193,000	+ 5.1%	$ 106,743,000	− 0.3%
Dealer merchandise	$ 296,458,000	+ 2.3%	$ 289,797,000	+ 13.5%
Dealer travel	$ 91,055,000	+ 5.5%	$ 86,303,000	+ 5.6%
● BUSINESS GIFTS	$ 98,177,000	− 12.5%	$ 112,167,000	+ 3.4%
● CONSUMER PREMIUMS	$ 96,991,000	− 7.6%	$ 104,959,000	− 0.6%
AUTOMOBILES & TRUCKS	**$ 550,661,000**	**− 2.5%**	**$ 564,829,000**	**+ 11.8%**
● TRADE INCENTIVES				
Sales force merchandise	$ 267,244,000	+ 8.7%	$ 245,885,000	+ 17.6%
Sales force travel	$ 30,055,000	− 6.3%	$ 32,063,000	+ 3.1%
Dealer merchandise	$ 61,321,000	+ 4.5%	$ 58,685,000	+ 5.8%
Dealer travel	$ 119,780,000	− 18.1%	$ 146,310,000	+ 13.8%
● BUSINESS GIFTS	$ 69,737,000	− 11.9%	$ 79,140,000	+ 0.9%
BEER, ALE & SOFT DRINKS	**$ 283,069,000**	**+ 3.6%**	**$ 273,288,000**	**+ 6.7%**
● TRADE INCENTIVES				
Sales force merchandise	$ 73,002,000	+ 10.5%	$ 66,065,000	+ 1.6%
Sales force travel	$ 14,072,000	− 2.5%	$ 14,433,000	+ 9.4%
Dealer merchandise	$ 33,441,000	+ 3.2%	$ 32,404,000	+ 14.2%
Dealer travel	$ 7,078,000	+ 8.4%	$ 6,530,000	+ 2.3%
● BUSINESS GIFTS	$ 11,984,000	+ 0.9%	$ 11,877,000	+ 5.3%
● CONSUMER PREMIUMS	$ 143,492,000	+ 1.1%	$ 141,979,000	+ 7.6%

	EXPENDITURES 1991		EXPENDITURES 1990	
BUILDING MATERIALS	**$ 416,217,000**	**+ 4.4%**	**$ 398,735,000**	**+ 7.5%**
● TRADE INCENTIVES				
Sales force merchandise	$ 165,768,000	+ 5.0%	$ 157,874,000	+ 9.4%
Sales force travel	$ 42,659,000	+ 2.6%	$ 41,578,000	+ 4.9%
Dealer merchandise	$ 66,324,000	+ 2.1%	$ 64,960,000	+ 0.5%
Dealer travel	$ 33,059,000	+ 0.8%	$ 32,797,000	+ 1.3%
● BUSINESS GIFTS	$ 65,069,000	+ 7.0%	$ 60,795,000	+ 19.1%
● CONSUMER PREMIUMS	$ 44,338,000	+ 6.4%	$ 40,731,000	+ 4.4%
DETERGENTS & CLEANSERS	**$ 265,669,000**	**+ 6.6%**	**$ 249,283,000**	**+ 9.0%**
● TRADE INCENTIVES				
Sales force merchandise	$ 79,140,000	+ 9.9%	$ 72,011,000	+ 2.5%
Sales force travel	$ 3,244,000	+ 5.8%	$ 3,066,000	+ 2.1%
Dealer merchandise	$ 37,673,000	+ 8.3%	$ 34,786,000	+ 3.6%
Dealer travel	$ 920,000	+ 1.4%	$ 907,000	+ 10.4%
● BUSINESS GIFTS	$ 10,988,000	+ 7.7%	$ 10,202,000	+ 1.4%
ELECTRIC APPLIANCES	**$ 245,145,000**	**+ 1.1%**	**$ 242,443,000**	**+ 6.6%**
● TRADE INCENTIVES				
Sales force merchandise	$ 36,853,000	+ 0.6%	$ 36,633,000	+ 7.8%
Sales force travel	$ 14,857,000	+ 7.8%	$ 13,782,000	+ 3.4%
Dealer merchandise	$ 35,113,000	+ 1.3%	$ 34,662,000	+ 2.9%
Dealer travel	$ 63,132,000	+ 2.0%	$ 61,894,000	+ 7.2%
● BUSINESS GIFTS	$ 54,331,000	− 1.2%	$ 54,977,000	+ 8.3%
● CONSUMER PREMIUMS	$ 40,859,000	+ 0.9%	$ 40,495,000	+ 6.9%
ELECTRICAL & LIGHTING EQUIPMENT	**$ 145,553,000**	**+ 1.4%**	**$ 143,497,000**	**+ 9.4%**
● TRADE INCENTIVES				
Sales force merchandise	$ 23,758,000	− 5.2%	$ 25,061,000	+ 11.5%
Sales force travel	$ 11,048,000	+ 7.3%	$ 10,296,000	+ 14.1%
Dealer merchandise	$ 46,859,000	+ 8.1%	$ 43,348,000	+ 6.0%
Dealer travel	$ 18,202,000	+ 2.8%	$ 17,706,00	+ 11.6%
● BUSINESS GIFTS	$ 33,218,000	− 3.8%	$ 34,530,000	+ 15.4%
ELECTRONICS, RADIO & TV	**$ 550,995,000**	**+ 4.8%**	**$ 525,821,000**	**+ 5.3%**
● TRADE INCENTIVES				
Sales force merchandise	$ 210,894,000	+ 5.3%	$ 200,279,000	+ 4.7%
Sales force travel	$ 67,479,000	+ 3.6%	$ 65,134,000	+ 19.3%
Dealer merchandise	$ 50,001,000	+ 5.8%	$ 47,260,000	+ 2.4%
Dealer travel	$ 122,033,000	+ 4.3%	$ 117,002,000	+ 3.7%
● BUSINESS GIFTS	$ 48,917,000	+ 3.3%	$ 47,354,000	− 1.3%
● CONSUMER PREMIUMS	$ 51,671,000	+ 5.9%	$ 48,792,000	+ 4.6%

	EXPENDITURES 1991		EXPENDITURES 1990	
FARM EQUIPMENT	**$ 233,213,000**	**+ 5.6%**	**$ 220,857,000**	**+ 1.7%**
● TRADE INCENTIVES				
Sales force merchandise	$ 30,505,000	+ 6.1%	$ 28,751,000	+ 2.4%
Sales force travel	$ 35,204,000	+ 8.2%	$ 32,536,000	+ 6.1%
Dealer merchandise	$ 70,589,000	+ 0.8%	$ 70,029,000	– 0.7%
Dealer travel	$ 73,364,000	+ 8.6%	$ 67,554,000	+ 2.0%
● BUSINESS GIFTS	$ 14,329,000	+ 5.1%	$ 13,634,000	+ 3.5%
● CONSUMER PREMIUMS	$ 9,222,000	+10.4%	$ 8,353,000	– 2.7%
FEED, FERTILIZER & FARM SUPPLIES	**$ 228,875,000**	**– 2.8%**	**$ 235,352,000**	**+ 4.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 39,701,000	– 1.7%	$ 40,388,000	– 3.4%
Sales force travel	$ 17,712,000	– 3.0%	$ 18,260,000	+ 8.1%
Dealer merchandise	$ 56,020,000	– 0.1%	$ 56,083,000	+ 6.3%
Dealer travel	$ 31,517,000	– 3.7%	$ 32,728,000	+11.1%
● BUSINESS GIFTS	$ 13,565,000	– 0.8%	$ 13,674,000	– 2.1%
FOOD PRODUCTS	**$ 1,866,185,000**	**+ 4.1%**	**$ 1,792,352,000**	**+10.0%**
● TRADE INCENTIVES				
Sales force merchandise	$ 247,555,000	+ 6.3%	$ 232,883,000	+ 6.2%
Sales force travel	$ 39,724,000	+ 8.3%	$ 36,680,000	+ 2.8%
Dealer merchandise	$ 144,595,000	+ 4.3%	$ 138,634,000	+11.2%
Dealer travel	$ 12,652,000	+ 0.3%	$ 12,614,000	+ 6.6%
● BUSINESS GIFTS	$ 51,409,000	+ 4.6%	$ 49,148,000	+ 8.8%
● CONSUMER PREMIUMS	$1,370,250,000	+ 3.6%	$1,322,393,000	+10.9%
FURNITURE & FLOOR COVERINGS	**$ 105,793,000**	**+ 2.2%**	**$ 103,496,000**	**+ 8.6%**
● TRADE INCENTIVES				
Sales force merchandise	$ 16,171,000	+ 1.8%	$ 15,885,000	+11.1%
Sales force travel	$ 4,665,000	+ 3.4%	$ 4,512,000	+10.4%
Dealer merchandise	$ 45,985,000	+ 2.9%	$ 44,689,000	+ 9.9%
Dealer travel	$ 21,572,000	+ 3.1%	$ 20,923,000	+ 8.0%
● BUSINESS GIFTS	$ 7,559,000	+ 0.7%	$ 7,506,000	+ 3.4%
HARDWARE	**$ 38,071,000**	**+ 0.8%**	**$ 37,763,000**	**+ 6.0%**
● TRADE INCENTIVES				
Sales force merchandise	$ 12,373,000	+ 1.3%	$ 12,214,000	+16.8%
Sales force travel	$ 3,118,000	+ 1.8%	$ 3,063,000	+11.1%
Dealer merchandise	$ 9,569,000	+ 0.8%	$ 9,493,000	– 0.9%
Dealer travel	$ 1,378,000	+ 3.9%	$ 1,326,000	+15.4%
● BUSINESS GIFTS	$ 2,359,000	– 2.2%	$ 2,412,000	+ 8.1%
● CONSUMER PREMIUMS	$ 9,274,000	+ 0.2%	$ 9,255,000	– 2.1%

	EXPENDITURES 1991		EXPENDITURES 1990	
HEATING & AIR CONDITIONING	**$ 332,952,000**	**0.0%**	**$ 332,809,000**	**+ 6.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 46,789,000	– 4.5%	$ 48,994,000	+ 3.8%
Sales force travel	$ 60,312,000	+ 1.1%	$ 59,656,000	+10.9%
Dealer merchandise	$ 113,058,000	– 1.3%	$ 114,547,000	+ 8.1%
Dealer travel	$ 62,982,000	+ 5.0%	$ 59,983,000	+ 8.3%
● BUSINESS GIFTS	$ 29,526,000	+ 0.9%	$ 29,263,000	+ 2.0%
● CONSUMER PREMIUMS	$ 20,285,000	– 0.4%	$ 20,366,000	+ 0.4%
HOUSEWARES & HOME FURNISHINGS	**$ 187,822,000**	**– 10.0%**	**$ 208,723,000**	**+ 0.2%**
● TRADE INCENTIVES				
Sales force merchandise	$ 50,721,000	– 8.1%	$ 55,192,000	+ 2.1%
Sales force travel	$ 9,253,000	–10.4%	$ 10,327,000	+ 8.6%
Dealer merchandise	$ 21,541,000	– 9.2%	$ 26,660,000	+ 3.4%
Dealer travel	$ 6,731,000	–10.0%	$ 7,479,000	+ 0.8%
● BUSINESS GIFTS	$ 14,147,000	–18.2%	$ 19,704,000	+ 8.5%
INDUSTRIAL CHEMICALS	**$ 128,300,000**	**+ 3.1%**	**$ 124,487,000**	**+ 4.5%**
● TRADE INCENTIVES				
Sales force merchandise	$ 32,893,000	+ 7.9%	$ 30,485,000	+14.3%
Sales force travel	$ 10,160,000	+ 3.6%	$ 9,807,000	+15.1%
Dealer merchandise	$ 36,650,000	+ 2.5%	$ 35,756,000	– 4.1%
Dealer travel	$ 7,017,000	– 4.6%	$ 7,355,000	– 3.9%
● BUSINESS GIFTS	$ 21,151,000	+ 1.8%	$ 20,777,000	+ 8.9%
● CONSUMER PREMIUMS	$ 20,429,000	+ 0.6%	$ 20,307,000	+ 1.9%
MACHINERY & SUPPLIES	**$ 191,677,000**	**+ 2.0%**	**$ 187,866,000**	**+ 7.7%**
● TRADE INCENTIVES				
Sales force merchandise	$ 86,156,000	+ 0.7%	$ 85,557,000	+10.1%
Sales force travel	$ 37,005,000	+ 3.5%	$ 35,754,000	+ 2.4%
Dealer merchandise	$ 9,991,000	– 5.7%	$ 10,595,000	+ 6.3%
Dealer travel	$ 16,130,000	+ 7.3%	$ 15,033,000	+ 5.6%
● BUSINESS GIFTS	$ 28,858,000	+ 3.3%	$ 27,936,000	+10.7%
● CONSUMER PREMIUMS	$ 13,537,000	+ 4.2%	$ 12,991,000	+ 5.4%
OFFICE EQUIPMENT	**$ 319,535,000**	**– 1.4%**	**$ 324,069,000**	**+ 1.0%**
● TRADE INCENTIVES				
Sales force merchandise	$ 63,424,000	– 4.7%	$ 66,552,000	+ 2.9%
Sales force travel	$ 80,373,000	+ 0.2%	$ 80,213,000	+ 0.3%
Dealer merchandise	$ 39,732,000	+ 5.2%	$ 37,768,000	+ 3.7%
Dealer travel	$ 21,242,000	+ 1.1%	$ 21,011,000	+ 4.1%
● BUSINESS GIFTS	$ 33,440,000	+ 2.3%	$ 33,011,000	+ 0.7%
● CONSUMER PREMIUMS	$ 81,324,000	– 4.9%	$ 85,514,000	– 1.5%

	EXPENDITURES 1991		EXPENDITURES 1990	
PAINTS & VARNISHES	**$ 68,369,000**	**+ 0.1%**	**$ 68,325,000**	**– 2.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 16,711,000	+ 4.8%	$ 15,946,000	– 2.6%
Sales force travel	$ 6,191,000	+ 2.9%	$ 6,017,000	+ 1.2%
Dealer merchandise	$ 13,858,000	+ 1.7%	$ 13,626,000	– 4.3%
Dealer travel	$ 11,496,000	– 2.4%	$ 11.779,000	– 0.2%
● BUSINESS GIFTS	$ 2,738,000	+ 1.9%	$ 2,687,000	+ 3.2%
● CONSUMER PREMIUMS	$ 17,375,000	– 4.9%	$ 18,270,000	– 5.9%
PAPER PRODUCTS & PACKAGING	**$ 105,153,000**	**+ 3.3%**	**$ 101,772,000**	**+ 13.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 14,891,000	+ 1.2%	$ 14,714,000	+25.5%
Sales force travel	$ 11,961,000	– 3.7%	$ 12,421,000	+16.8%
Dealer merchandise	$ 11,404,000	+ 1.8%	$ 11,202,000	+12.3%
Dealer travel	$ 6,498,000	+ 0.3%	$ 6,479,000	+19.2%
● BUSINESS GIFTS	$ 14,051,000	+ 3.6%	$ 13,563,000	+11.2%
PETROLEUM PRODUCTS	**$ 322,692,000**	**+ 1.1%**	**$ 319,273,000**	**+ 3.0%**
● TRADE INCENTIVES				
Sales force merchandise	$ 72,207,000	+ 5.0%	$ 68,769,000	+ 4.5%
Sales force travel	$ 17,844,000	+ 2.1%	$ 17,477,000	+ 6.7%
Dealer merchandise	$ 99,334,000	+ 7.1%	$ 92,749,000	+ 8.1%
Dealer travel	$ 18,194,000	+ 8.9%	$ 16,707,000	+10.4%
● BUSINESS GIFTS	$ 16,717,000	+ 3.5%	$ 16,152,000	– 5.1%
● CONSUMER PREMIUMS	$ 98,396,000	– 8.4%	$ 107,419,000	– 2.2%
PHARMACEUTICALS	**$ 217,643,000**	**+ 6.1%**	**$ 205,124,000**	**+ 1.6%**
● TRADE INCENTIVES				
Sales force merchandise	$ 59,409,000	+ 6.2%	$ 55,941,000	–10.9%
Sales force travel	$ 22,018,000	+ 2.8%	$ 21,418,000	+14.4%
Dealer merchandise	$ 27,064,000	+ 1.0%	$ 26,796,000	+ 3.7%
Dealer travel	$ 11,768,000	+ 6.6%	$ 11,039,000	+ 6.1%
● BUSINESS GIFTS	$ 42,121,000	+13.7%	$ 37,047,000	+13.2%
● CONSUMER PREMIUMS	$ 55,263,000	+ 4.5%	$ 52,883,000	+ 2.9%
SPORTING GOODS & TOYS	**$ 58,042,000**	**– 0.2%**	**$ 58,164,000**	**+ 4.3%**
● TRADE INCENTIVES				
Sales force merchandise	$ 10,887,000	+ 2.1%	$ 10,663,000	+ 8.0%
Sales force travel	$ 7,655,000	+ 1.4%	$ 7,549,000	+ 9.4%
Dealer merchandise	$ 11,410,000	– 1.2%	$ 11,549,000	+ 7.2%
Dealer travel	$ 5,362,000	– 0.2%	$ 5,373,000	+13.3%
● BUSINESS GIFTS	$ 2,982,000	– 1.4%	$ 3,024,000	+ 7.3%
● CONSUMER PREMIUMS	$ 19,746,000	– 1.3%	$ 20,006,000	– 3.1%

	EXPENDITURES 1991		EXPENDITURES 1990	
TOILETRIES & COSMETICS	**$ 1,233,621,000**	**+ 5.7%**	**$ 1,166,872,000**	**+ 8.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 360,367,000	+ 1.4%	$ 355,392,000	+ 1.5%
Sales force travel	$ 47,569,000	+ 0.7%	$ 47,238,000	+11.8%
Dealer merchandise	$ 131,762,000	+ 3.8%	$ 126,938,000	+15.8%
Dealer travel	$ 19,127,000	− 2.2%	$ 19,557,000	− 6.0%
● BUSINESS GIFTS	$ 82,575,000	− 6.7%	$ 88,505,000	+ 1.6%
● CONSUMER PREMIUMS	$ 592,221,000	+11.9%	$ 529,242,000	+13.3%

MISCELLANEOUS MANUFACTURERS	**$ 1,022,121,000**	**+ 4.3%**	**$ 980,139,000**	**+ 8.6%**
● TRADE INCENTIVES				
Sales force merchandise	$ 165,871,000	+ 4.4%	$ 158,818,000	+ 5.2%
Sales force travel	$ 52,335,000	+ 9.0%	$ 48,030,000	+16.4%
Dealer merchandise	$ 153,241,000	+ 5.3%	$ 145,493,000	+ 8.8%
Dealer travel	$ 38,468,000	+10.4%	$ 34,831,000	+12.9%
● BUSINESS GIFTS	$ 90,288,000	+ 1.2%	$ 89,185,000	+ 3.6%
● CONSUMER PREMIUMS	$ 521,918,000	+ 3.6%	$ 503,782,000	+ 9.7%

SERVICE INDUSTRIES

BANKS AND SAVINGS & LOANS	**$ 228,470,000**	**+ 7.0%**	**$ 220,687,000**	**− 0.7%**
● TRADE INCENTIVES				
Sales force merchandise	$ 47,646,000	+ 4.7%	$ 45,507,000	+14.6%
Sales force travel	$ 3,783,000	+17.8%	$ 3,211,000	+13.5%
Dealer merchandise	$ 2,040,000	− 5.6%	$ 2,160,000	− 4.1%
Dealer travel	$ 392,000	+ 3.2%	$ 380,000	+ 2.0%
● BUSINESS GIFTS	$ 51,822,000	− 6.1%	$ 55,215,000	+ 8.0%
● CONSUMER PREMIUMS	$ 122,787,000	+ 4.8%	$ 117,163,000	− 4.7%

DISTRIBUTORS & WHOLESALERS	**$ 1,705,724,000**	**+ 4.5%**	**$ 1,632,840,000**	**+ 8.9%**
● TRADE INCENTIVES				
Sales force merchandise	$ 539,681,000	+ 4.9%	$ 514,390,000	+18.7%
Sales force travel	$ 43,433,000	+11.2%	$ 39,066,000	+12.1%
Dealer merchandise	$ 171,811,000	+ 2.1%	$ 168,268,000	+ 1.3%
Dealer travel	$ 27,640,000	+14.9%	$ 24,043,000	+ 2.5%
● BUSINESS GIFTS	$ 310,964,000	+ 4.8%	$ 296,721,000	+10.0%
● CONSUMER PREMIUMS	$ 612,195,000	+ 3.7%	$ 590,352,000	+ 3.3%

	EXPENDITURES 1991		EXPENDITURES 1990	
INSURANCE	**$ 848,022,000**	**+ 7.5%**	**$ 788,863,000**	**+ 8.1%**
● TRADE INCENTIVES				
Sales force merchandise	$ 318,122,000	+14.1%	$ 278,810,000	+ 8.9%
Sales force travel	$ 252,827,000	+ 3.4%	$ 244,514,000	+ 8.7%
Dealer merchandise	$ 13,976,000	+ 3.1%	$ 13,556,000	− 8.7%
Dealer travel	$ 90,088,000	+ 6.2%	$ 84,829,000	+13.5%
● BUSINESS GIFTS	$ 73,137,000	+ 0.4%	$ 72,846,000	+ 9.3%
PUBLIC UTILITIES	**$ 33,406,000**	**+ 9.4%**	**$ 30,526,000**	**+ 7.8%**
● TRADE INCENTIVES				
Sales force merchandise	$ 8,665,000	+14.5%	$ 7,568,000	+ 2.8%
Sales force travel	$ 4,537,000	+10.1%	$ 4,121,000	+19.0%
Dealer merchandise	$ 4,101,000	+11.2%	$ 3,688,000	+11.8%
Dealer travel	$ 408,000	+ 4.3%	$ 391,000	+ 4.8%
● BUSINESS GIFTS	$ 3,426,000	+ 9.5%	$ 3,129,000	+13.4%
PUBLISHERS, PRINTERS & BROADCASTERS	**$ 339,354,000**	**+ 1.5%**	**$ 334,396,000**	**+ 9.5%**
● TRADE INCENTIVES				
Sales force merchandise	$ 112,462,000	+ 1.3%	$ 111,019,000	+ 3.5%
Sales force travel	$ 26,673,000	+ 3.3%	$ 25,821,000	+17.4%
Dealer merchandise	$ 14,959,000	− 2.2%	$ 15,295,000	+ 7.8%
Dealer travel	$ 7,021,000	+ 5.3%	$ 6,668,000	+12.2%
● BUSINESS GIFTS	$ 41,191,000	+ 2.2%	$ 40,304,000	+ 6.6%
RETAILERS	**$ 2,849,271,000**	**− 4.7%**	**$ 2,990,246,000**	**+ 6.5%**
● TRADE INCENTIVES				
Sales force merchandise	$ 522,306,000	+ 7.9%	$ 484,065,000	+ 8.4%
Sales force travel	$ 345,440,000	+ 6.3%	$ 324,967,000	+ 4.2%
Dealer merchandise	$ 53,991,000	− 0.1%	$ 54,022,000	+ 0.7%
Dealer travel	$ 42,824,000	+ 0.6%	$ 42,557,000	+ 3.2%
● BUSINESS GIFTS	$ 251,562,000	− 1.5%	$ 252,393,000	+15.8%
MISCELLANEOUS SERVICES	**$ 1,107,084,000**	**+ 1.8%**	**$ 1,087,542,000**	**+ 7.1%**
● TRADE INCENTIVES				
Sales force merchandise	$ 331,407,000	− 0.7%	$ 333,737,000	+15.1%
Sales force travel	$ 121,278,000	+ 4.9%	$ 115,584,000	+ 4.2%
Dealer merchandise	$ 138,290,000	− 7.8%	$ 149,989,000	+ 3.7%
Dealer travel	$ 81,335,000	+ 5.5%	$ 77,095,000	− 6.5%
● BUSINESS GIFTS	$ 150,319,000	+ 2.7%	$ 146,367,000	+ 1.9%

APRIL 1992
SECTION ONE
OF TWO SECTIONS

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

THE SECRET OF PORTLAND

WHAT COMPANIES CAN LEARN FROM OREGON'S CITY OF QUALITY

EXECUTIVE REPORT CARD:
LOW MARKS FOR MOTIVATION

DEALING A WINNING HAND
THREE GREAT TRADE PROMOTIONS

FROM UNDERDOG TO TOP DOG
A SALES MANAGER'S SUCCESS STORY

PREVIEW: NY INCENTIVE SHOW

A BILL PUBLICATION

88TH YEAR. VOL. 166, NO. 4

APRIL 1992

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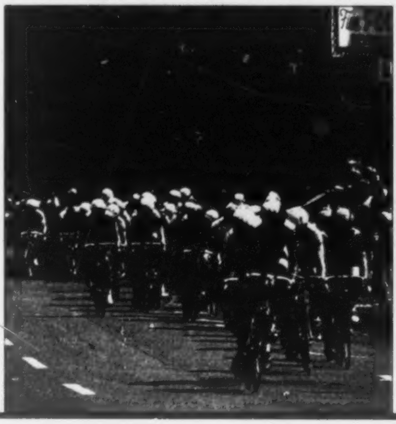
REPORT
CARD

CEO's, VP's and their IQ's **49**



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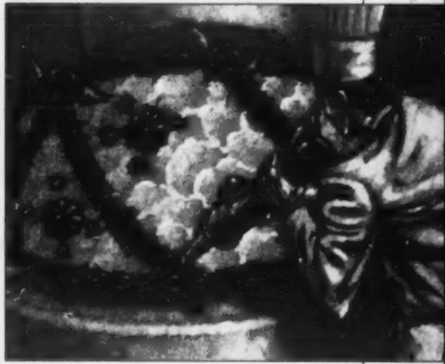

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SECTION 2

How to Run an Incentive Travel Campaign

Cover photo by ©1992 Mike Epstein

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

COVER STORY

PORTLAND'S PROGRESS
Companies can take some motivational pointers from this Oregon city's dramatic reorganization, which has catapulted it to the forefront of the quality-in-government movement.
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INCENTIVE MARKETING

DEALER FACTS SURVEY
The good news: Trade-incentive usage has held steady in the recession. The bad news: Sales yields from these programs are the lowest they've been in years.
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THE ART OF THE DEALER INCENTIVE
How three companies met their marketing goals with creative programs aimed at retailers and distributors.
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EMPLOYEE MOTIVATION

HOW SMART ARE AMERICAN EXECUTIVES?
Unfortunately, not smart enough. The results of our first annual Incentive Test show that top execs have a lot to learn about running incentive programs.
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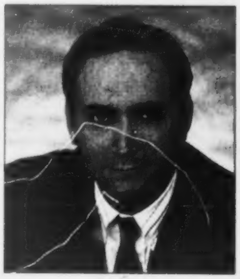
BPA ABP

NOT MAKING THE GRADE

BY TODD ENGLANDER



The scores from our first-ever Incentive Final Exam are in, and they're not pretty. For more in-depth results, see "How Smart are American Executives?" on page 49, but for now, it's enough to note that of the 600 CEO's and sales and marketing VP's who decided to test their knowledge:

- two out of five can't distinguish between closed-ended and open-ended incentive programs;
- slightly more than half (52.7 percent) are familiar with modern measurement techniques to gauge non-sales performance;
- a good portion (30.9 percent) aren't familiar with basic awards-selection strategies, and
- a majority, 61.2 percent, flat-out flunked the exam.

To qualify things a bit, this unique exam didn't measure test-takers' vision, charisma, ethics, compassion, product knowledge and all the other traits and factors that figure into motivational wizardry. And the results obviously can't speak against any successes their companies have experienced in recent incentive programs.

Also on the plus side, an overwhelming number of executives did put themselves on the line and decided to measure themselves against other corporate motivators—an act that demonstrates a strong need to see just how they measure up in the realm of formal, scientific motivational practices.

But the test results still send a troubling message: that many executives may be relying more on the intangible forces of corporate culture and individual leadership—rather than on proven, rock-solid processes—to guide their incentive programs. Actually, it's a combination of both, but corporate leaders can ill afford to ignore the golden rule of motivation: Great performance—unmeasured and unrewarded—is likely to go unrepeated. And the only way to properly measure and reward is to equip oneself with the tools—the theories, equations and structures—that form the foundation of every type of motivational effort, big and small.

The editors of **Incentive** will continue to cover the latest trends in motivation (i.e., nominal group practices, quality-oriented sales measurements, "enriching" travel and merchandise awards), but we'll always ally ourselves with efforts to educate people about the basics of incentive-program planning. See Part II of this issue, "How to Run an Incentive Travel Campaign"; see future special advertiser-sponsored inserts that will cover the basics and essentials of program planning; attend the various seminars run by the magazine in conjunction with advertisers.

And finally, get ready to take the Second Annual Incentive Final Exam; you've got a year to prepare.

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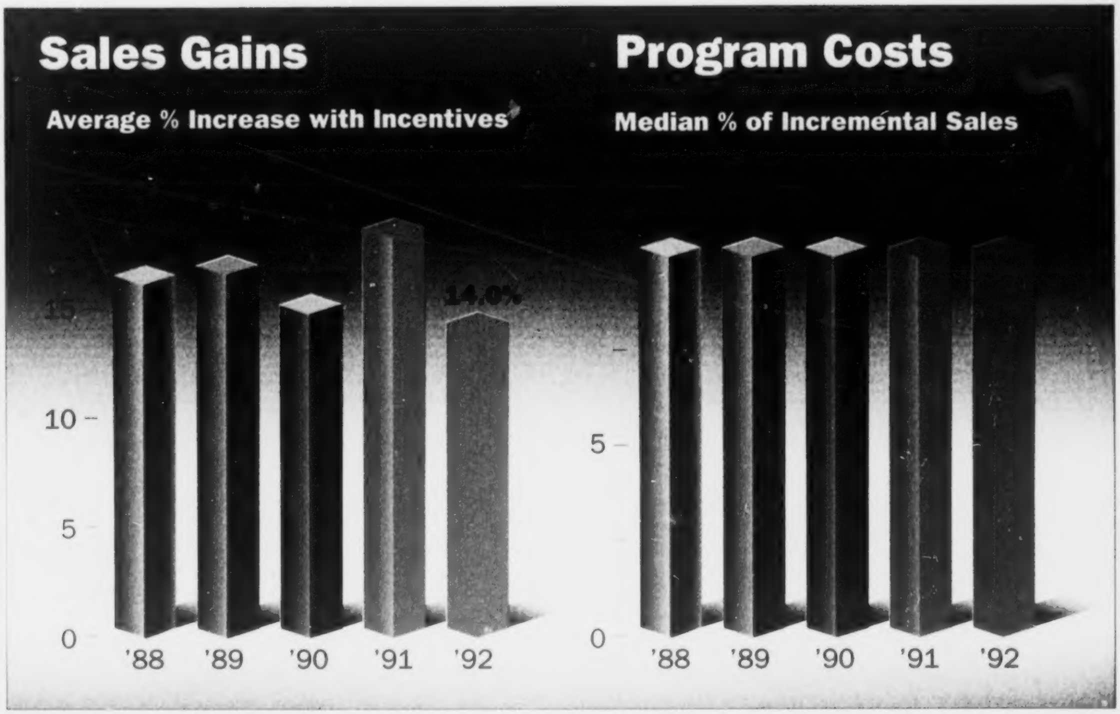


FACTS SURVEY: DEALER INCENTIVES

Dealer programs remain popular, but the recession hinders their effectiveness.

Corporate users of dealer incentive programs report mixed results from the past, recession-plagued year. While the percentage of dealer participation has remained constant—as have costs—sales increases generated by the programs are reaching their lowest ebb in years.

Respondents to **Incentive**'s latest survey of dealer-program users report an average sales increase of 14 percent. Even in the recession year of 1982, dealer programs yielded higher growth: 14.3 percent. Though the average had dropped as low as 14.8 in 1990, it had bounced back to 18.3 percent in last year's study.

Overall participation in programs was reported at almost exactly the same level as last year, though the distribution of incentive prizes has shifted. The average percentage of eligible participants accepting merchandise prizes rose a bit to 58 percent, up from 54 percent last year. But the percentage of dealers winning travel awards has

INCENTIVE
MARKETING

declined from 52 in 1991 to 49 now. The trend reflects, in part, a reduction in travel programs because of the recession.

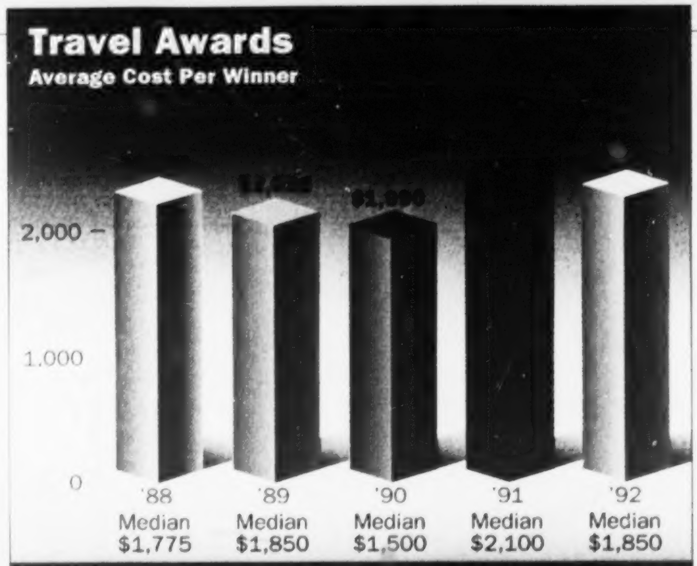
As a share of incremental sales, program costs have remained stable, although there are signs that these costs are increasing. The median is holding at 10 percent of incremental sales for the sixth straight year. However, the average program cost has jumped from a 1991 level of 12 percent of increased sales to a new high of 17 percent—indicating that a minority of program users are paying considerably more for dealer incentives than are most users.

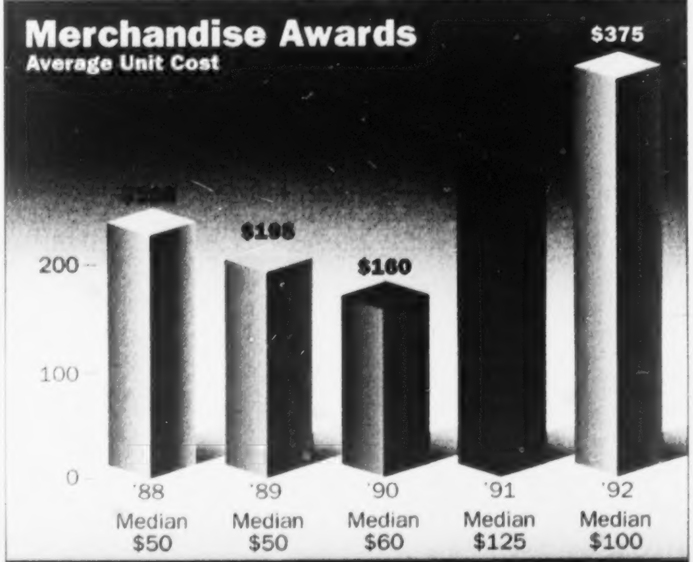
The recession's impact. As the economy continued its slide, many respondents claim they used dealer programs to counter its effects. "The current recession has affected my sales downward," says Henry Cullinane, vice president of Clover Corporation, an East Hartford, Conn., heating-equipment wholesaler. "This has reduced my purchasing power, reducing my inventory. Dealer promotions will continue at the same level and may even increase to promote new accounts and provide better service to existing dealers during a competitive time."

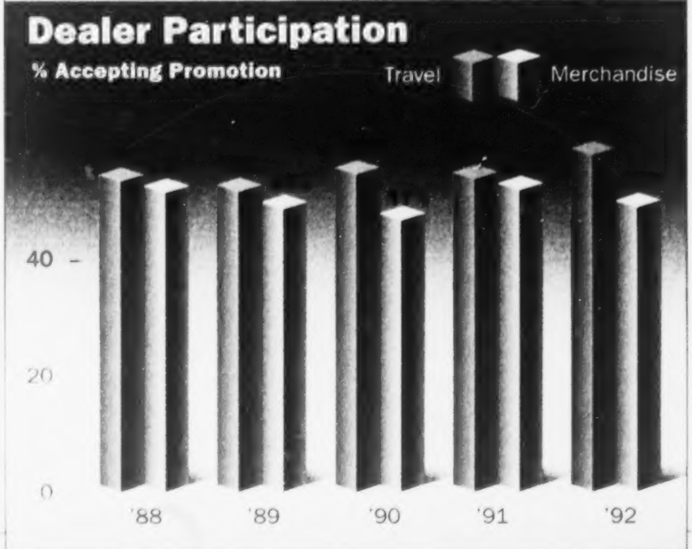
Dealer programs yielded an average sales increase of 14 percent, down from 18.3 percent in last year's study.

An East Coast building materials marketer, who reports an increased use of promotions, says he experienced 10- to 12-percent sales gains in his campaigns last year. He plans to boost his incentive budget by 50 percent this year.

Some companies, however, don't have the option of increasing their spending. "The recession has forced me to be more creative with a smaller budget, but field the same, if not better, results from our dealers," says Vince Jackson, merchandising

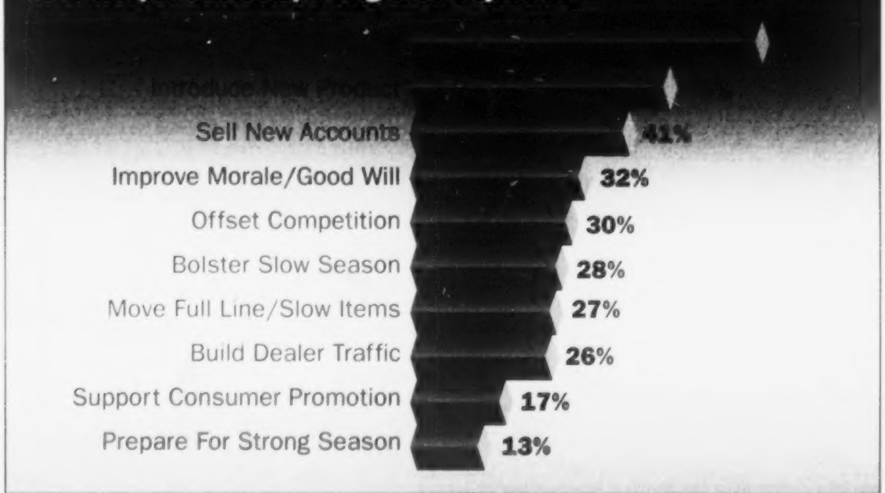






What Can Dealer Incentives Do?

% of Respondents Reporting Each Objective



manager of Onan Corporation, a Minneapolis-based machinery producer. And a Southern wholesaler with a travel-only program notes that "declining profit margins make it harder to afford programs. That drives up the dollar figure for the dealer to enter, so fewer can qualify."

Generally, the surveyed executives plan to expand their use of trade incentives a bit more than they did in 1991. Last year, the use of merchandise incentives in both sales and dealer programs rose 3.4 percent from the year before; travel expenditures increased an estimated 2.9 percent. This year, the 192 surveyed users expect to increase their total budgets for merchandise at the rate of 6.6 percent, and for travel at 1.5 percent. A number of these marketers specifically pointed out that they are shifting toward more merchandise and less travel because of the recession.

The frequency of programs also reflects a slight shift away from the use of travel prizes; the median is now four dealer promotions per company, compared with three a year ago. This is a logical change—merchandise campaigns are often much shorter than those offering trips.

Marketers are spreading their trade promotion dollars more evenly along the channels of distribution. The surveyed users spend 66 percent of their trade promotion dollars on dealer programs, with the other 34 percent going to sales incentives. This shows much more diversity in approach than in the 1991 survey group, which reported an 81/19 percent split in favor of dealer expenditures. It seems likely that more users add new sales-force incentives to support dealer promotions in a recession year, when broad-based motivation is needed.

Their dealer promotions are aimed at a range of middlemen: wholesalers and distributors as well as many retailer categories. Wholesalers and distributors make up the largest single target; 49 percent of programs are aimed at them. The percentages of programs geared to the remaining middlemen break down as follows:

Commercial/ industrial dealers	22%
Specialty stores	18%
Service contractors	14%
Retail grocers	11%
Drug stores	11%
Variety/department stores	10%
Service stations	4%
Others	22%

The total far exceeds 100 percent, reflecting that these users aim their promotions at an average of 1.6 different audiences.

Finding their focus. Most often, surveyed marketers concentrate their incentive efforts behind a

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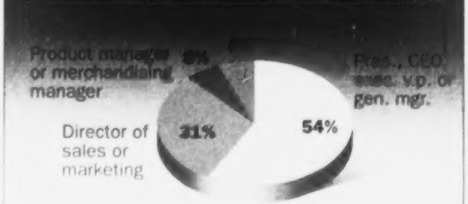
How They Do It

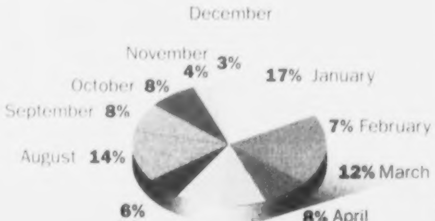
Who makes the final buying decision



How dealer incentives are promoted

Company sales force	85%
Direct mail	62%
Dealer sales meetings	45%
Literature with product	40%
Trade shows	22%
Wholesalers or brokers	15%
Trade paper ads	10%

When most promotions are launched



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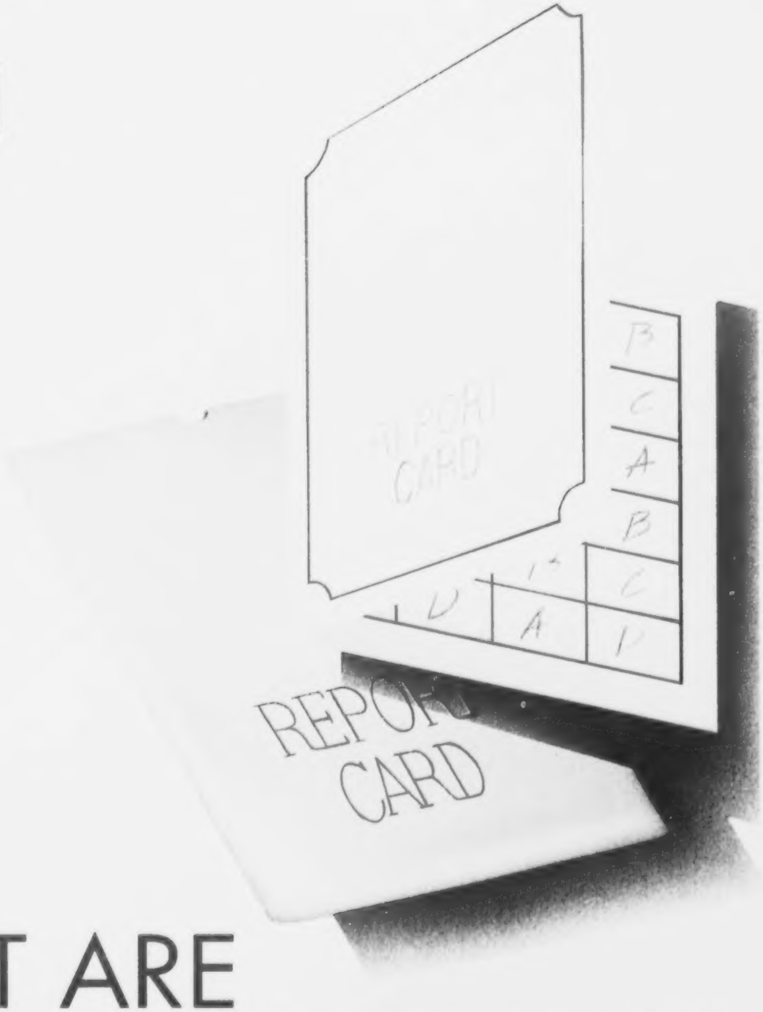

HOW SMART ARE AMERICAN EXECUTIVES?

When it comes to knowing how to run incentive programs, corporate leaders barely make the grade.

BY TODD ENGLANDER

They represented the highest echelon of corporate America: CEO's of major manufacturers, VP's of marketing and sales, incentive-company executives. In all, 595 of them took **Incentive**'s first annual Final Exam, a multiple-choice test checking their acumen on all facets of incentive-program planning and strategy. So how did they do?

Sixty-one percent failed, hitting a score of less than 70 percent.

Only one person "aced" this difficult exam, notching 23 of 24 correct answers. Nobody was perfect—that is, except for the two executives who scored a perfect zero: Expect those companies to be out of business by the end of the year.

What do these numbers mean? That corporate America is just beginning to understand the nitty-gritties of running incentive programs—and that theoretical issues of basic strategy, measurement, budgeting, promoting and awards selection are only vaguely understood. This certainly is no indication of the test-takers' motivational prowess, or of their firms' ultimate incentive-program successes, and it certainly is no reflection of the basic intelligence of executives.

Illustration Josie Yee

In fact, **Incentive**'s FACTS surveys give executives a good excuse for their poor performance: While 92 percent of top executives are the ones who do the final approving and buying of incentive programs and awards, most of them claim they get to spend a mere 10 percent of their time motivating the troops.

Still, nearly 600 executives did take the time to take the exam and vie for awards (see box, page 94), and a closer look at the numbers reveals where their knowledge is both strong and lacking—especially lacking—and where some definite improvements are needed.

REPORT
CARD

CORPORATE REPORT CARD

(Percentage of executives making the grade)

GRADE	PCT.
A	.2%
B	3.1%
C	11.8%
D	23.7%
F	61.2%

Note: A=93-100, B=84-89, C=77-83, D=70-76.

Not measuring up. Issues of program measurement—for one—remain very weak. In three questions gauging measurement strategies and theory—taking into account more than 1,700 total responses in this area—our executives scored a low 52.7 percent. Considering the growth of non-sales employee programs (nearly 22 percent of all companies have them, according to the latest FACTS survey), this apparent ignorance of new and proven measurement practices—such as nominal group techniques and quality-oriented measurements—will definitely hinder their effective use at many firms.

In fact, the test's lowest-scoring questions were those dealing with measurement; for instance, Question 10 asked, "Which would *not* be a good productivity or quality measurement in a factory incentive?" The choices: A) Number of defective parts per thousand; B) Number of accidents at work, per team; C) Number of suggestions per team; and D) Number of suggestions per team accepted by management. The correct answer was C, since the *number* of suggestions hardly gauges good performance. It certainly measures prolific suggestion-making, but it doesn't measure how thoughtful, researched or appropriate they are. The other measurements all specifically relate to quality and productivity. Only 36 percent of executives got this one right.

Executives scored slightly higher when it came to selecting effective awards. Sixty-nine percent answered correctly on the six questions covering awards policies—e.g., Question 2: "What percentage of sales- and employee-program participants should win awards?" Correct answer: D) 40 percent. **Incentive**'s FACTS surveys indicate that as the average.

Basic incentive strategies—as measured in a question asking for opinions on motivating "average achievers," and another one that asked for a prediction of results of one company's specific program—represented a strong point in the test results. Executives notched their highest scores here: 83.1 percent.

Communication breakdown. Less lofty was the score posted for the test's three questions covering promotion and communication. Sixty-eight percent marked correct responses in this area. For example, one question asked about the goal of a good campaign theme. The correct answer was C) incite action, while the other answers suggested "relate to last year's theme," "specify all objectives" or "convey a problem."

Executives also need more education about program structure—the part of the program that deals with shaping the rules. The rules, of course, must reflect the objectives, and this critical tie seemed to be missed by executives answering the five "structural" questions that registered a meager 54.7-percent score. A respectable 78.7 percent answered Question 4 correctly—"Which of these negatively affect performance during a program?" A) Frequent awards; B) Training; C) Numerous goals; and D) Team-oriented goals. The answer is C—too many goals can muddle the focus of the program in participants' minds. Despite the relatively high score for this question,

HOW THEY SCORED

(Correct responses, by category)

CATEGORY	SCORE
Basic Strategy	**83.1%**
Awards Strategies	**69.1%**
Promotion/Communication	**68.7%**
Objective-Setting	**61.6%**
Program Structure	**54.7%**
Measurement	**52.7%**
Budgeting	**44.8%**

test-takers scored a low 62.6 percent and 55.4 percent on two questions distinguishing between the merits of open- and closed-ended programs.

That's especially scary considering the one question, Number 3, which simply asked, "Which is the best example of an open-ended program rule?" Only three out of every five executives chose the right answer, proving that an alarming 40 percent of corporate executives are unable to distinguish between the most basic of incentive-program constructions: open- and closed-ended structures.

The answers. Following are the correct responses to the exam, along with some comments.

1) Which would serve as the best-stated objective of a sales incentive campaign? C) Sell 28 more widget parts in the first quarter of 1992.

This objective spelled out: the desired activity (selling), the measured items or behaviors (widget parts) and the specific time frame. The other choices—sell more widget parts; sell 28 more widget parts as soon as possible—fell short of this one.

2) In general, in sales and employee incentive campaigns, what percentage of participants should win an award? D) 40 percent.

In one question, 40 percent of executives couldn't distinguish between a closed- and open-ended program rule.

Incentive's FACTS surveys establish this (actually, it's 41 percent) as the average.

3) Which is the best example of an *open-ended program* rule? B) All people who hit 90 percent of quota receive the award.

Open-ended programs allow all who hit the mark to win the award. Closed-ended ones shut the door after a specified number or percentage of achievers win.

4) Which of these can *negatively* affect performance during an incentive program? C) Numerous goals.

The experts claim that a "family of measures" is OK, so long as there are no more than three or four and that they all work together. It is better to stick to a few, clearly spelled-out objectives. The other answers—frequent awards; training; and team-oriented goals—all represent positive elements in a well-sculpted program.

Questions 5 through 8 covered the strategies of the ABC Toy Company, which sought to motivate its "average performers."

5) What would be a good, econom-

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ic awards strategy to help propel middle achievers during ABC's 12-month-long program? C) Offer various, smaller monthly and quarterly awards in addition to the large end-of-program prizes.

6) What kind of program structure would give ABC's "average achievers" a better chance of winning? The answer was D) All of the above.

The other choices here were: a "tiered" structure; an open-ended program; and a six-month-long program.

7) What is your opinion about ABC's plan to focus more on middle achievers? C) It could increase sales from all types of achievers.

More and more companies are targeting the middle 60 percent of their work force, not just the top 20 percent who produce anywhere from 40 to 80 percent of sales. The idea is that top performers will always be motivated, and that any increase in this large middle segment will significantly affect the bottom line.

Questions 8 through 11 focused on ABC's efforts to motivate productivity and quality in its factories.

8) To arrive at final program measurements, management should: C) Let small focus groups of workers suggest a list of all possible measurements, then have management decide on the top ones.

This is a practice dubbed the "nominal group technique," when companies bring in an outside facilitator to solicit potential measurements from a small group that represents a cross-section of the target audience.

9) ABC wants to motivate all workers to work as effectively as possible during the incentive program. Which of these would *not* be a wise program rule (and award)? C) Closed-ended program ("the top 10 percent of all workers win"), and the prize is a grand travel award.

There's nothing wrong with a grand travel award as the prize. In many cases, however, there is something wrong with restricting it to only the elite. Also, in a factory setting, it would not be productive to take a large group of the work force away from the plant for a week.

10) Which would *not* be a good productivity or quality measurement for ABC's factory incentive? C) Number of suggestions per team.

You need to gauge the *quality* of the suggestions, not how many there are.

11) If ABC's incentive program proves successful, what will be the most observable net effect? C) Measurable improvements in the desired, targeted "behaviors."

With clearly proclaimed goals and well-founded measurements, this should always be the case.

12) What is a major strategic *disadvantage* of using cash as an incentive award? C) It confuses compensation and recognition in the minds of recipients.

13) Letting participants help set

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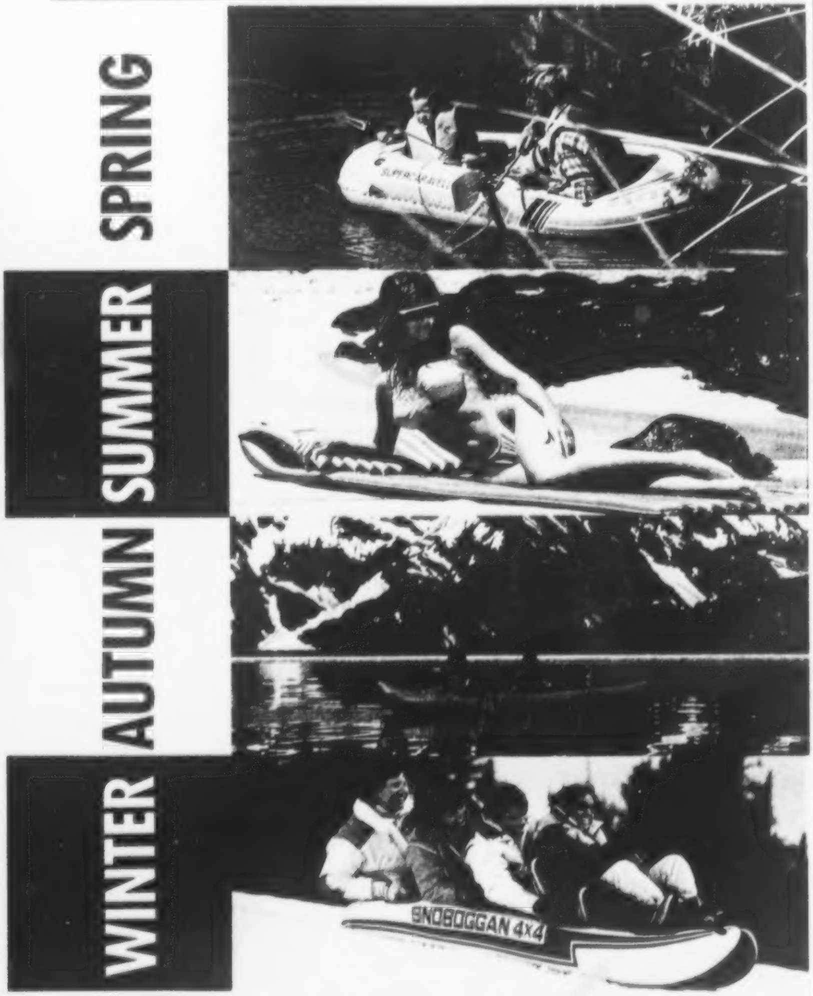

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selected line or product group to serve a defined selling objective. About 52 percent apply their promotions in this way. At the extremes are the 38 percent who put their promotional efforts behind their full lines, and a select 10 percent who focus on single items. A much larger share of companies chose the full-line option this year—up from 27 percent a year ago. Many users find they need help across the board, rather than in narrow product areas.

Increasing volume. Such an approach reflects an effort to increase overall sales volume; indeed, 67 percent of respondents cited this as their principal objective for running dealer programs, compared with 65 percent last year. Users also cited "offsetting competition" and "bolstering a slow season" as program objectives more frequently than they did last year. Every other objective on a list of 10 possibilities declined somewhat—notably, "introducing new products," which fell from 58 percent last year to 49 percent now. "Sell new accounts" also dropped in importance, from 45 percent to 41.

While objectives may have changed, the length of time planning promotions has remained constant. Users take an average of 15 weeks to plan a merchandise campaign and 28 weeks to set up a travel program—exactly the same as in 1991.

The amount of money budgeted to promote dealer incentives hasn't changed much, either. It now averages 22 percent of total program cost, which is down one point from last year. The remaining 78 percent of the total is reserved for the purchase of either merchandise or travel awards.

Keeping costs constant. Users have held the line rather well this year on the cost of those purchases—helped, no doubt, by relatively low inflation in the past 12 months. The average unit cost of merchandise has increased to $375, up from $295, but the more important median expenditure has declined from $125 a year ago to just $100 now.

In travel expenditures, both the average and the median have dropped. Last year, the average user spent $2,656 per winner (whether for one or two persons), with a median of $2,100. In the current survey, the average has fallen to $2,244 and the median to $1,850. There has been a similar drop in the actual ticket price, or cost per person. The average has decreased to $1,373, from last year's $1,658. The median shows a steeper decline from $1,700 to only $1,200 among this year's group of users.

Measures of success. How do users gauge the success of an incentive program? The survey offered five choices, with the simple tallying of dealer orders rated the most popular measure—favored by 52 percent of respondents, down from 62 percent last year. Sales-force reports finished second with 39 percent, five points higher than in 1991. Thirty-three percent of respondents measure success based on factory shipments, compared with 31 percent last year. Fewer respondents evaluate their programs based on the number of new accounts than did last year: 31 percent do now, eight points below the previous study. A small minority of marketers—8 percent—uses store audits as their yardstick. ☐

Award Particulars

Type of award most often used as dealer incentive:	
Own merchandise catalogue or selection	54%
Individual travel	40%
Group travel	37%
Single premium or few related items	35%
Merchandise from incentive firm's catalogue	20%

Type of merchandise considered most effective:	
Home or family items	47%
Personal items	45%
Business-use items	22%

How merchandise premiums are delivered:	
Shipped separately	62%
Delivered by sales force	39%
Packaged with product	5%

Type of supplier generally used:

Merchandise awards	
Direct from manufacturer	47%
Wholesaler or premium jobber	46%
Full-service incentive firm	32%
Manufacturers' rep	28%

Travel Awards	
Travel Agent	57%
Full-service incentive firm	35%
Travel carrier or hotel	22%
Travel wholesaler	15%

INCENTIVE TEST

CONTINUED FROM PAGE 52

the objectives for an incentive program will: B) Provide an indicator of key measurements.

It will not, as the other answers suggest, stir suspicions among the work force or take away management's "ownership" of a program; in fact, it will increase participants' sense of ownership of the program, thus enhancing motivation.

14) What is the "nominal group technique"? C) A meeting where a small group of would-be incentive-program participants offer potential measurements for a program.

15) What portion of sales gains do companies most often spend on their incentive programs? B) 5-10 percent.

The same numbers apply for the portion of productivity and quality gains that should be plowed back into work-force awards.

16) What is a "family of measures"? B) A series of complementary measurements devised specifically to gauge the success of an incentive program.

17) In general, incentive-program awards should: C) Have lasting value.

18) Which do *not* qualify as incentive awards? D) A raise and a promotion.

Because incentive programs reward specific achievement with specific awards, these two can't qualify; they fall more in the realm of compensation.

19) What is a "tiered" incentive-award structure? A) One that mixes merchandise and travel awards, with award levels based on participants' performance.

20) Which groups *can't* be measured in an incentive campaign? D) All of the above can be measured.

The "above," in this case, included: dealers; salespeople and field reps; secretaries and plant workers.

21) In general, at what percent of quota should salespeople begin qualifying for awards? C) 90 percent.

Incentive's annual FACTS survey shows that most companies start offering awards to salespeople when they hit 93 percent of quota. The big awards kick in at 117 percent of quota.

22) Incentive program themes (or slogans) should always: C) Incite action.

23) Promotion should make up what percentage of an incentive program budget? C) 20 percent.

24) A standings mailer should include a participant's name, numerical goal, percent-of-goal attained and: A) A special, motivational message.

THE WINNERS

The following winners were chosen from a drawing of the **Incentive** Final Exam's top scorers:

Three-night Select Level Award from Marriott Corporation (Value—$600): John Crawford, manager of sales promotion and special events, Metromedia Communications Corporation.

Chinon Genesis III Bridge Camera Outfit ($500): Steve Thompson, vice president marketing, Erie Insurance Group.

$250 in American Express Gift Cheques: Colleen Turner, account executive, Casto Travel.

$50 in American Express Gift Cheques: Henry Berszinn, Responsive Selling Systems; Thomas Linton, Sears Contract Sales; William Stiles, 3M; Stewart Dougherty, MCI Telecommunications Corporation; Roy Baum, Maritz Motivation Company.

Business books from Warner Books: Richard Kut, Performance Marketing; Charles Smith, Anritsu Wiltron Sales Company; Bob Klenn, United Airlines; Jacquelyn Freedman, Red Devil Inc.; Randy Renz, Maritz Motivation; Wesley Richmond, The Art Affaire Inc.; Brett Behrends, Quaker Oats Company; Richard Austin, Maritz Motivation; Tony Hendrix, Georgia Pacific Corporation; Greg Thomas, American General Finance.

XEROX

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plan, we don't get any bonus at all—it doesn't matter how profitable the district is. Now, we even have to pay the company back: We don't actually write them a check but the 20 percent is held against any future bonuses. Talk about getting serious about customer satisfaction!"

The three managers' front-line staffs are also tied in to the district's profitability and CSMS numbers, although they risk a smaller portion (4 percent) of their salary. In addition, all incentive programs, whether on a national or a district level, carry a customer satisfaction qualifier. "We hold the sales reps totally accountable for customer satisfaction," explains district customer service manager Tom Haywood. "That's a big change in the last five or six years; previously the measurement was solely the revenue they produced."

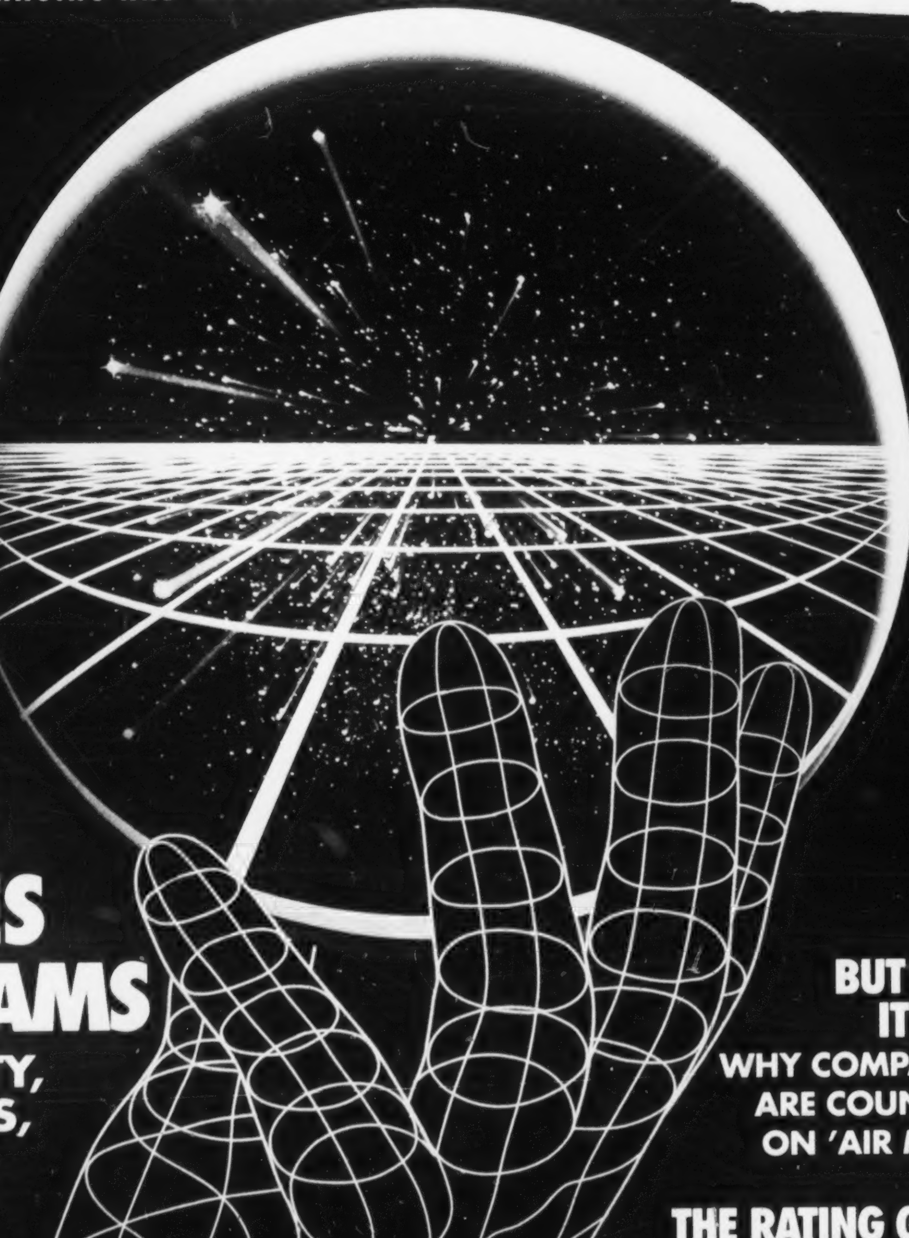
The message that empowerment carries responsibility fits well with Pacetta's business philosophy: "I want to build consequence into management; I think that's been missing from American business," says Pacetta. "People here know that their territory must 'pay the rent' towards the entire district. When we don't do the job, we hold people responsible—and that includes me."

Is the Pacetta story reproducible in other companies, other areas? He has a lot of support from Xerox management, with built-in structures that feed and test customer satisfaction, employee motivation and the continuing quest for quality. Cleveland's vendor-of-choice status lets him run risks that other, more cautious managers might avoid. The company has a formal benchmarking system that lets him learn from the successes of others. Pacetta is also lucky in that his co-managers share his devotion to the dual goals of quality and profitability. All these factors set the stage for success, and are indeed indispensable. But Pacetta's combination of gung-ho cheerleading and hard-nosed salesmanship are unique. Perhaps Kinnaird puts it best: "He's one of a kind, and fortunately, one of the good kind." ☐

MAY 1992
SECTION ONE
OF TWO SECTIONS

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



THE FUTURE OF SALES PROGRAMS

WHY QUALITY, NOT QUOTAS, WILL DRIVE DYNAMIC CAMPAIGNS

BUT WILL IT FLY?

WHY COMPANIES ARE COUNTING ON 'AIR MILES'

THE RATING GAME

WILL IBM'S GRADING SYSTEM CRUSH WORKER MORALE?

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INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

MAY 1992
88TH YEAR,
VOL. 166, NO. 5

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INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

THE NEW PATHS TO SUCCESS

BY BRUCE BOLGER

Four years ago, **Incentive** dropped the word "marketing" from its title and announced a new mission—maximizing business performance through people. Instead of focusing primarily on incentives in marketing, we broadened our editorial content to include incentives that target *all* aspects of business.

At the time, we predicted: "The name change heralds a new era in American business, one in which people—customers and employees—are a top management priority....More and more companies are discovering that effective marketing attracts good customers, but by itself can't retain them. These companies work to keep valued customers by providing genuine quality, value and service, and they have turned to their employees for help."

How right we were. Consider the latest trends in:

- *Quality*. When **Incentive** announced its new direction, Total Quality Management was a murky concept; there was no Malcolm Baldrige Award. Today, quality management has become so pervasive that leading business magazines have dedicated entire issues to it.
- *Value marketing*. Although **Incentive** didn't coin the term, it did predict today's emphasis on everyday low prices, epitomized by American Airlines' announcement last month of a dramatic new fare structure, followed swiftly by similar declarations at United. Companies have discovered that *real* everyday low pricing builds consumer loyalty better than traditional markup and markdown cycles, and that meaningful, added-value offers, such as non-cash incentives and other promotional techniques, stimulate business without recourse to discounting.
- *Non-sales incentives*. To yield results, total-quality and value-pricing strategies require a highly motivated work force dedicated to quality and efficiency. We predicted huge growth in the use of incentives for non-sales employees, and since 1988, the number of companies using such incentives has almost doubled. Today, all the magazines and seminar programs in the incentive field refer regularly to "non-sales" incentives.

Those who still don't grasp the shift in American business will find it cogently summarized in Section Two of this month's issue of **Incentive**, entitled **Leading Edge Executive**. This extensively researched section details all the major aspects of corporate America's dramatic change and outlines the vital role incentive programs play in helping companies improve customer loyalty and employee performance. It's a blueprint for companies searching for a better way to compete in the 1990's, as well as for incentive suppliers seeking to sell them programs.

We are grateful to the sponsors of **Leading Edge Executive** and to all of those who have supported our efforts over the past four years to promote this powerful, productive way of doing business.

Bruce Bolger

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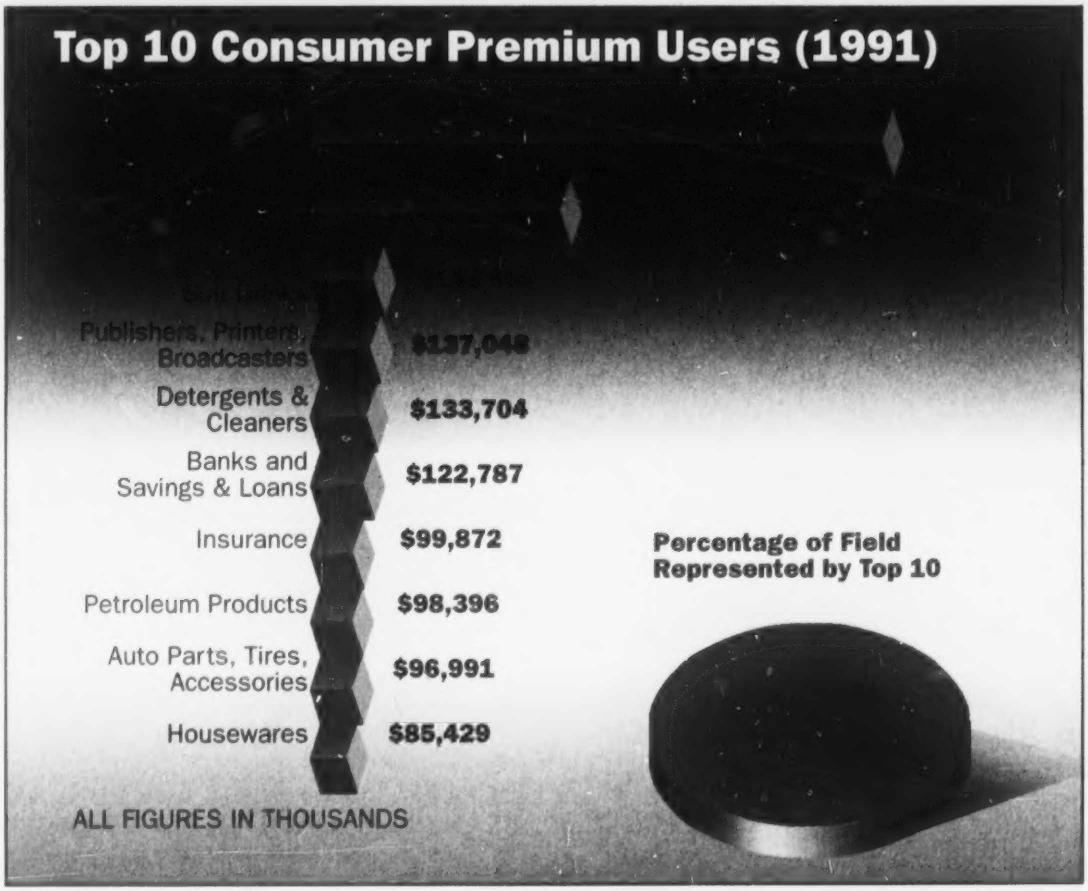


FACTS SURVEY:
CONSUMER INCENTIVES

Marketers plan to spend a lot more on consumer promotions, but they're not expecting great sales yields.

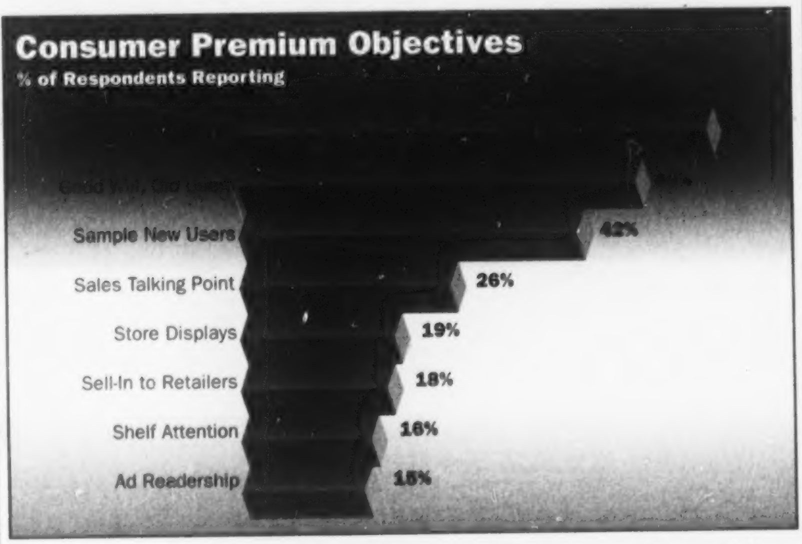
Could this be another sign of the recession's slow ebb? Marketers are planning to boost their expenditures for consumer promotions this year by spending as much as 8.6 percent more on premiums and other awards. The figure, an average of all spending projections in this year's FACTS survey, represents a considerable gain over the prediction in last year's survey.

The 1991 consumer-promotions survey showed a projected increase of only 7.3 percent, but by the time the recession had taken its toll, an end-of-year update showed marketers actually *cutting* their spending on consumer incentives by 0.4 percent. Retailers had accounted for much of that decline, showing a year-end estimate of 10.9 percent below their '90 spending on consumer incentives.

Not-so-great expectations. While sounding bullish in their current budget plans, the 183 surveyed companies have scaled down their expectations—especially in the sales yields they hope to reap from their promotions. Last year, the survey group reported an average expected gain of 18.3 percent. In the latest study, their forecasts reveal only a 13.5-percent expected increase in sales during the consumer-promotion

INCENTIVE MARKETING

Charts: Dale Glasgow



period. The median figures also dropped, from 12 percent last year to 10 percent now.

Those who count on promotions to help them obtain display space in retail stores also lowered their expectations. They said that, on average, 48 percent of dealers normally use their displays—about the same as in the 1991 report. But when it comes to spurring increased point-of-purchase usage through consumer offers, the anticipated percent-of-dealer usage fell from last year's average of 34 percent to only 22 percent this year.

While marketers are yielding less—as reflected in such measures as sales gains and increased display usage—they're also *giving* less. The value of free offers—direct premiums and free mail-ins—has declined since last year's survey.

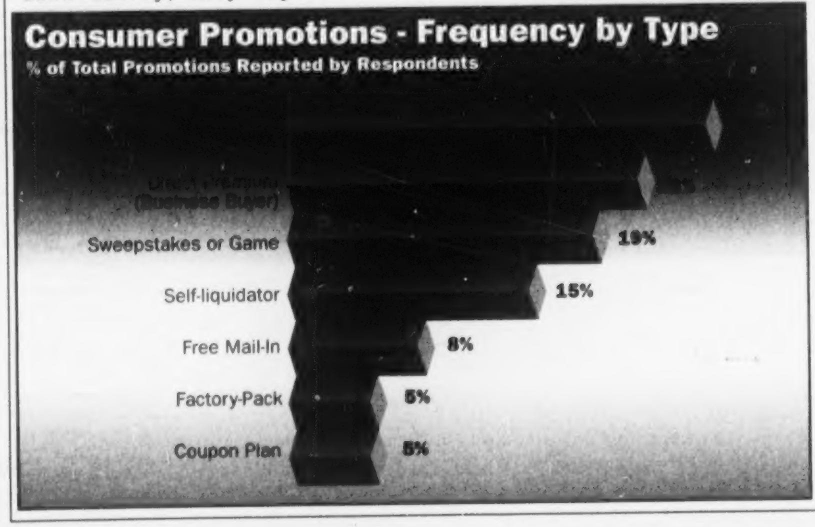
In the current study, the ratio of premium cost to product purchase varies greatly, depending on the marketer's particular industry—and arithmetic. But the pattern has been fairly consistent in several surveys; last year the average direct-premium cost represented 15.1 percent of the consumer's purchase, and the average free mail-in item cost 20.3 percent of the qualifying purchase. This year those numbers have dropped to 10.1 and 14.5 percent, respectively.

These users have also cut back on advertising their promotions, or at least the range of media used. In the 1991 survey, they reported an average of 2.7 different media used per company; this year, that average is only two. Direct mail, the top medium for several years, gained some ground and is now favored by 63 percent (up from 60), but usage of all other media declined. Point-of-purchase displays are now used by 32 percent; newspapers, 29; TV and radio, 23; trade publications, 16; consumer magazines, 15; free-standing inserts, 13, and on-package advertising, 9 percent. The biggest losers were trade publications, down by 13 percentage points, and package advertising, off by 12 points. Free-standing inserts lost 9 percentage points; newspapers and magazines each lost 8 points, and TV/radio fell by 7 percent.

In another area, respondents report little change in the traditional objectives targeted by users of consumer incentive promotions, although there has been some shift of emphasis this year. The top objective—"obtain repeat purchases"—dropped to 58 percent in this survey from a dominant 73 percent a year ago. Finishing second and third are "good will of old users" and "sampling new users." And, reflecting the pullback in the advertising, "increasing ad readership" is listed as a key objective by only 15 percent, versus 24 percent in '91, and is now last on the list (see chart, above).

While projecting an optimistic 8.6-percent increase in spending for consumer premiums, these executives seem less inclined to boost promotional support through trade incentives: They're planning only a 3.3-percent increase there. Companies are forecasting a drop of 2.5 percent in spending on merchandise incentives for salespeople and dealers, while projecting a big jump of 20.1 percent in spending on their travel campaigns. The increase in total travel usage in this survey, however, is inflated by the one in 12 companies who plan travel programs for this year and who spent nothing for travel in '91.

Not all respondents plan to cut back on trade promotion. For example, a small East Coast wholesaler wrote, "Most sales are either down or flat with the exception of the



mass-market discounters. In order to increase our market share, I believe we have to offer an extra incentive or premium to get the consumer to purchase, and extra incentives to our sales reps to get out and try to write more orders." He added that he plans to double his sales incentive usage this year.

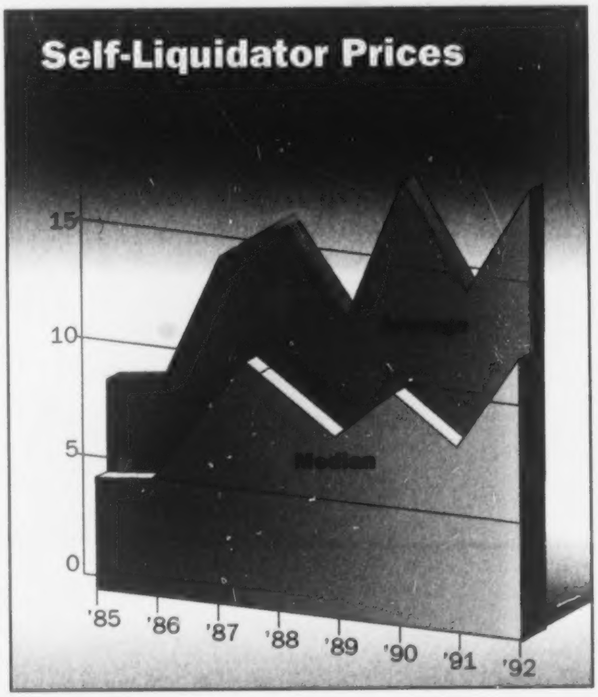
Value-added incentives. **Incentive** asked executives, "How has the recession affected your consumer promotions in the past year?" Responses varied widely from the few who said "not at all" to those who cited much stronger usage. One district manager for a major electrical manufacturer said flatly, "Incentives did very little to help business in the year 1991," and he reported a 20-percent reduction in the budget for consumer premiums this year.

An Ohio developer, however, claiming a 5-percent budget boost for consumer incentives in 1992, wrote, "We use premiums as an incentive in the lead generation for our land development [lot sales]. In these times, it appears that the consumer is more interested in the practical and useful rather than the obtuse." He reported a 10-percent promotion-period increase in sales.

This theme—offering value-oriented incentives to consumers—is echoed by Chris Donnelly, sales promotion manager of Allied-Signal Aftermarket Group (Fram and Autolite automotive products), E. Providence, R.I. The recession, he said, "has made me become more creative and aggressive in our marketplace. I believe people and consumers are really the same, not like some people think. Consumers are smart; treat them like you would want to be treated yourself—with good basic values—and you'll succeed over time." He reported sales growth via incentive programs, while projecting a substantial budget increase this year.

"Consumers are more value-oriented," agreed Robert I. Ginsberg, president of Carol Wright Sales Inc., Stamford, Conn. "Products that meet their value objectives continue to sell well, at any price point." He said he is counting on premiums to increase order sizes.

Self-Liquidator Prices



A Northeastern retail chain also is relying on consumer premiums to build repeat purchases as well as find new customers. "We have increased the number of in-store promotions offered, both generated internally and by support of vendor sweepstakes," wrote the executive. "Targeted direct mail has tripled from '90 and will probably double again in '92. Our response rates on direct-target mailings have consistently ranged from 3 to 5 percent and every one has been a success."

A West Coast marketer of entertainment products has noticed the same trend. "Promotions are less successful in dollar return," he said, "and more successful in number of responses. Consumers are looking." He reported that he is increasing this year's consumer incentive budget by 50 percent.

Self-liquidator trends. Marketers' efforts to add value to consumer offers is reflected in this year's reports of self-liquidator prices, which show a big leap from last year's survey estimates. In self-liquidating offers, the consumer pays the bill, and perceived value can be added without increasing the cost to the marketer. The average of all self-liquidating prices listed is $19.03, compared with $14.57 a year ago, and the median has risen from $6.95 to $12.

The hypothetical ceiling on self-liquidator prices has also risen substantially. The estimated price point at which respondents say consumers would *not* buy a self-liquidating offer is $101.30 in this survey, compared with the $68.15 average in 1991's surveyed group. In both years, however, the median estimate remains at $20, indicating that the most expensive items still represent a small minority.

"Self-liquidating" doesn't mean

CONTINUED ON PAGE 154

Response Rates

[illegible]dian number of responses per 1,000 advertising exposures for mail-in offers

	PRINT	BROADCAST	DISPLAY	PACKAGE
Self-liquidator under $10	13	10	10	15
Self-liquidator $10 or more	10	10	16	9
Free mail-in offer	20	10	20	15

FACTS SURVEY

CONTINUED FROM PAGE 76

what it used to—and hasn't for a number of years. The erstwhile concept that the consumer price liquidated the cost of the merchandise as well as the postage or shipping costs has given way to the increasingly common practice of charging extra for getting the premium to the customer. But this latest practice has, perhaps surprisingly, declined somewhat in the latest survey—with exactly 50 percent saying they charge extra for shipping, down from the 66 percent who gave that answer in each of the past two years.

On the other hand, the basic charge for premiums is no longer liquidating the cost in all cases. In fact, survey respondents say that consumers' payments liquidate an average of only *64 percent* of the merchandise cost, while the median sits at 90 percent.

When the mail-in offer is free rather than self-liquidating, users pull back (as they have for several years) from pushing for multiple purchases. A few years ago, it was quite common to ask for five or 10 or more proofs of purchase for the free mail-in premium. The practice has declined steadily, and this year's survey shows an average requirement of just 2.4 proofs, with a median of two.

Testing the offers. About half the marketers in this survey prefer to test their consumer premiums, up slightly from the 1991 reports. For mail-in offers—both free and self-liquidating—46 percent say they test, just 1 percentage point more than a year ago; 53 percent, up 4 points, test direct-premium offers.

Among those who test, the favorite research technique is personal interviews, chosen by 49 percent. About 26 percent mail a single offer to consumers; 23 percent mail a ballot or questionnaire with a choice of items; 23 percent use a consumer panel for testing; 10 percent try out their items through package inserts; 9 percent make bounce-back offers; 8 percent like split-run ads, and only 4 percent favor the more time-consuming store-panel test.

Is this kind of research worth the trouble? Opinions vary, but survey respondents report a somewhat better record of test accuracy than in past studies. For example, concerning the accuracy in forecasting the number of responses to an offer, this year's survey shows an average variance of 17 percentage points (improved from plus or minus 20 percent last year). In earlier years, some surveys found test accuracy good to only within 30 or 40 percent—hardly worth the time and money spent on the test.

As might be expected with this somewhat improved yield of test results, 70 percent of this year's surveyed executives said they were satisfied with the degree of accuracy they experienced.

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Leading Edge

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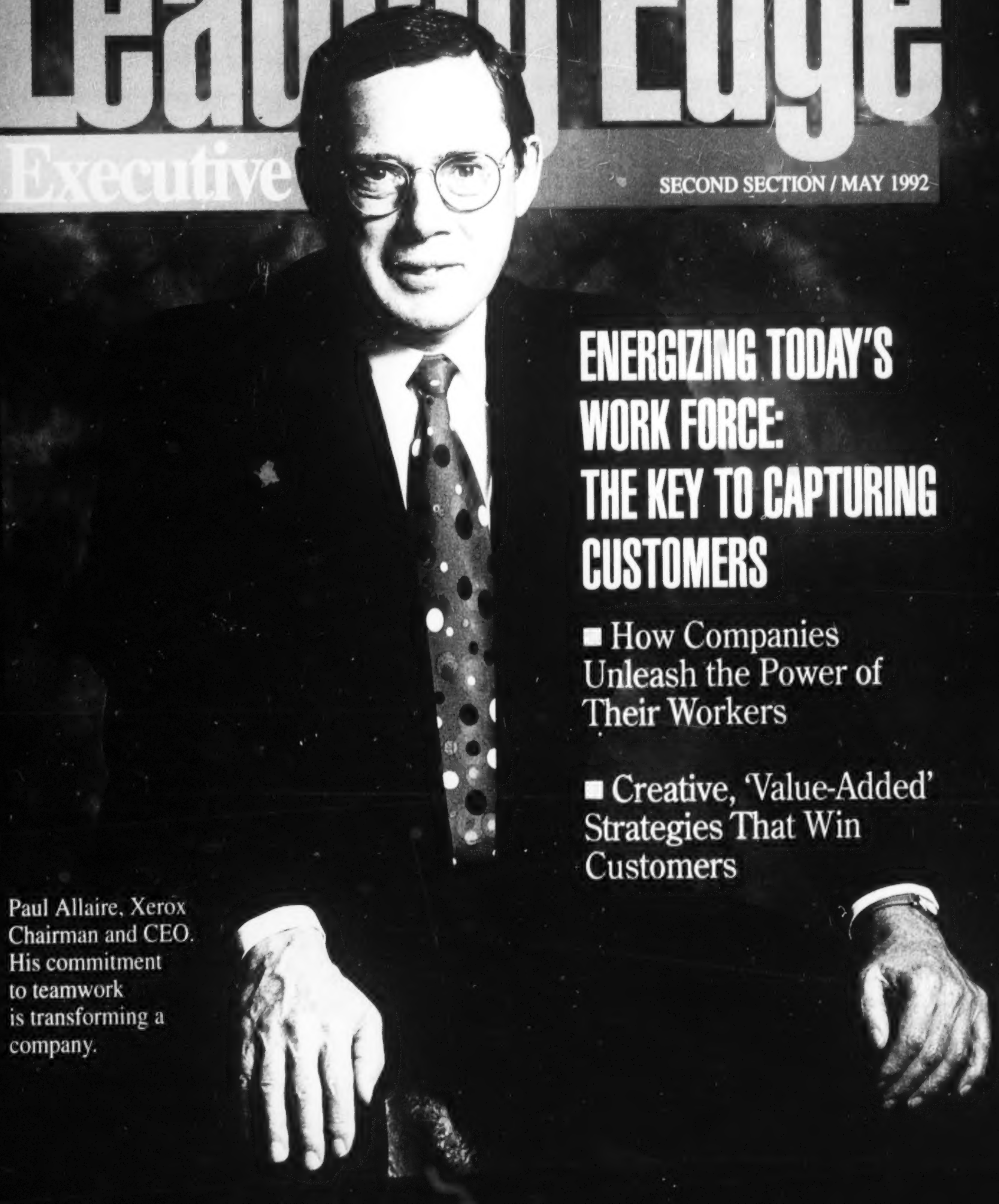

ENERGIZING TODAY'S WORK FORCE: THE KEY TO CAPTURING CUSTOMERS

- How Companies Unleash the Power of Their Workers
- Creative, 'Value-Added' Strategies That Win Customers

Paul Allaire, Xerox Chairman and CEO. His commitment to teamwork is transforming a company.

INCENTIVE
MANAGING AND MARKETING THROUGH MOTIVATION

MAY 1992

Leading Edge

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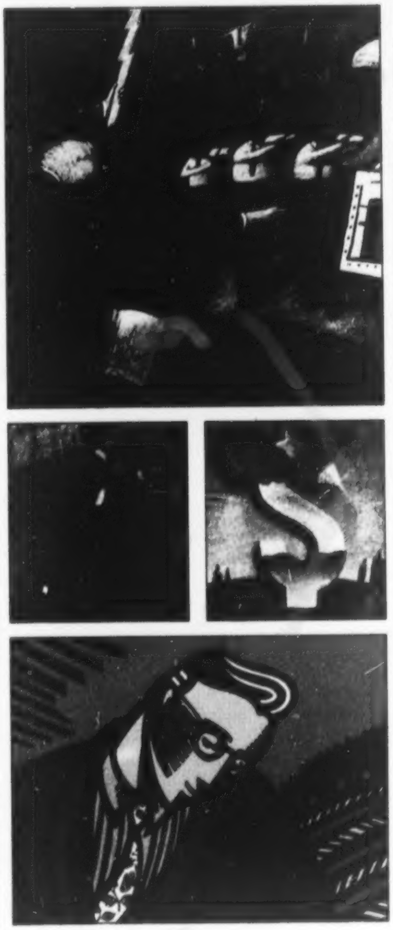

Cover Photo by Bill Bernstein

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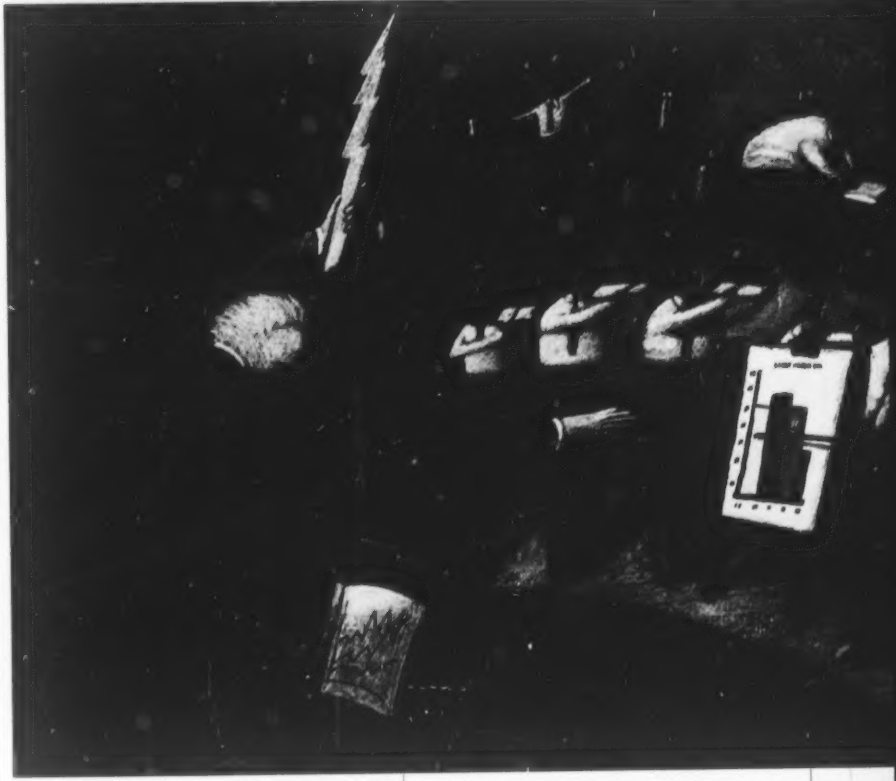
BY BILL KELLEY

THE POWER OF INCENTIVE

Companies that harness their employees' energy are reaping profits that extend far beyond the bottom line.

- Republic Engineered Steel reversed decades of labor-management strife when it instituted a participative management system and employee-suggestion program that now garner $60 million in annual savings for the manufacturer.
- As many as 30,000 Motorola employees compete annually in a companywide quality contest that reaps millions of dollars in savings and reportedly inspires increased pride of workmanship.
- The Bureau of Emergency Services in Portland, Ore., has used a recognition and reward program to spur employees to help reduce its turnover rate from 50 percent to a mere 3.1 percent.



Businesses and organizations across all sectors of the U.S. economy are discovering the power of incentive programs. "People, Performance and Pay," a landmark report on traditional awards and human resource practices from the American Productivity & Quality Center, confirms this trend. In the report, and similar ones from such prestigious organizations as The Conference Board, a New York business-research firm, researchers conclude that incentive programs can work all kinds of corporate magic, from boosting sales to improving quality to lifting employee morale.

In fact, according to "Variable Pay: New Performance Awards," a Conference Board report that surveyed more than 430 companies in a variety of industries, close to 75 percent of those who use incentives say they are "very successful" or "successful" in attaining their goals.

But incentives are playing their most profound role in the way they are helping to reshape corporate America. Motivational programs—in conjunction with solid training and other steps— are propelling customer-focused, quality-driven companies to the forefront of a cutthroat global economy.

Incentives, however, are not a panacea. In fact, they can be extremely limited in what they can do for a company. Designed well, they can motivate employees to work as a team and reach long-term goals. Conducted poorly, they will produce quite the opposite effect, perhaps even driving a wedge between management, workers and customers. "It's simplistic to think that devising an incentive program of some sort is going to solve a company's problems," says C. Jackson Grayson, acting chairman of the American Productivity & Quality Center in Houston.

Still, few corporate executives and management consultants will argue that providing incentives is a bad business practice, especially in today's marketplace. "The climate is changing radically," says David A. Garvin, a professor at the Harvard Business School. "Companies can no longer afford to take the old Henry Ford approach: You can have any color Model T as long as it's black. That's not the way to stay competitive."

Quality guru W. Edwards Deming, after whom the prestigious Deming Award is named, takes the point one step further. For American companies, he says, incentives are not just a question of good business, they're a matter of survival. "The question for CEO's is really quite simple,"

Dave Cutler

suggests Deming. "Do they want profits? Do they want [their companies] to survive? If so, they will have to change."

TRANSFORMING XEROX

Paul A. Allaire, chairman and CEO of the Xerox Corporation in Stamford, Conn., has overseen a dramatic instance of such change (see "The Agent of Change," page 16). Over the past decade, Xerox has transformed itself from a somewhat plodding manufacturer to a winner of the Malcolm Baldrige National Quality Award in 1989, and one of the country's most admired businesses.

During much of that time, the company has realized record sales and increased market share in its office-equipment business, which is the heart of the corporation. (Xerox also has financial services operations.) How did it do this? By putting quality and customer service first, and ensuring that senior executives were committed to those priorities. "Quality remains our basic business principle," says Allaire. "Our focus on quality keeps us focused on the customer. All of our people share the quality commitment that keeps them focused on achieving our business objectives—all customer-oriented.

"We've come up with a simple definition of quality," he continues. "Conforming to customer requirements. That definition goes beyond product quality. We take the view that every person in the company has a customer for the work they do."

To help turn these words into action, Xerox launched its Leadership Through Quality program in 1984, which incorporated rewards and recognition. The program was initiated after Xerox executives saw the company's revenues and profit growth slip dramatically. (From the mid-1960's to the mid-1970's, revenues grew at an average rate of about 23 percent per year, and profits increased at an average annual rate of about 20 percent; from the mid-1970's to 1980, however, those figures tumbled to about 16 percent and 14 percent, respectively.)

The goal of the program was simple: to remake Xerox into a quality company. Attaining that goal required changing the company's culture, which was no easy task considering its corps of roughly 110,000 employees worldwide. To help transform the firm, Xerox executives spelled out specific objectives, and formed a number of groups including representatives from each operating unit and corporate headquarters. With the support of senior management and others, the team then devised five mechanisms to facilitate change:

- standards and measurements to provide employees with ways of assessing and performing their work, solving problems and improving quality;
- formal recognition and rewards to ensure that Xerox workers are encouraged and motivated to practice specific types of behaviors;
- communications to keep employees informed of the objectives and priorities of the corporation in general and their work group in particular;
- training to provide employees with the tools and techniques for improving quality, and
- management involvement at all levels to make certain that executives not only espouse principles, but practice them daily.

The results have been dramatic. Not only has Xerox realized tremendous, measurable improvement in product quality, but revenues in Document Processing, the company's primary business, increased from $8.7 billion in 1984 to $12.4 billion in 1989. Also, during that same time, return on assets grew from 10.2 percent to 12.4 percent.

TOP MANAGEMENT SUPPORT

Commitment from the top tier of management is crucial to becoming a more customer- and quality-oriented company. In fact, it's the most important employee motivator, says Craig Benson, co-founder and chief operating officer of Cabletron Systems, an eight-year-old computer-network-systems manufacturer in Rochester, N.H., that was recently singled out by President George Bush for its rapid growth in an industry and region under duress. "When employees know how you feel about the customers, they get behind you," he says.

Paul Birdsong, general manager of Wallace Company, Inc., a Houston-based chemical equipment distributor, and a 1990 Baldrige Award winner, also believes employees will follow management's lead as long as "you prove to them that you're totally behind the ideas of quality and customers first."

That commitment, however, must venture far beyond talk. Executives must be willing to show their dedication, via incentive programs and other real—and symbolic—measures. At Wallace, for example, workers at all levels sit side by side in quality seminars. "If employees see that you're willing to do anything, if they see that you're personally involved with customers, they'll follow you," says Birdsong. "Otherwise, it's just words."

> **"The question for CEO's is really quite simple. Do they want [their companies] to survive? If so, they will have to change."**

HOW TO BUILD AN EFFECTIVE PROGRAM

Management consultants suggest that companies take the following steps when building a program that will tap the power of their workers and satisfy the needs of their customers:

1. Make keeping customers the number-one priority. Understand what attracts customers to your product or service and what keeps them coming back for more.
2. Focus on customers, not consumers. Do everything economically feasible to get to know customers by name and needs, not just by demographic category.
3. Make satisfying customers another top priority; continually slice away procedures that stand in the way.
4. Give employees the opportunity to experience your product or service from the customer's perspective; make sure all employees have the opportunity to meet and deal with customers.
5. Organize the work force so that employees have the authority to do their jobs as efficiently as possible.
6. Make sure customers know that you appreciate their business.
7. Reward top-performing employees with the same enthusiasm displayed when rewarding top executives and salespeople.

Harvard professor David Garvin agrees. No CEO or company president would say employee motivation, quality and customer service are unimportant. Few, however, actively back up their words with actions, Garvin maintains. "One of the earliest litmus tests is to see how CEO's spend their time," he says. "If they talk about customers, but haven't actually been in a customer's office in two years, you have a pretty good idea of what they really think is important."

Alan Wilkins, a business professor at Brigham Young University and author of the book "Developing Corporate Character," says there are concrete steps that companies and executives should take when instituting change. First, he says, senior management should recognize the accomplishments of the past, in either a formal or informal manner. "You may want to put together a program to recognize past achievements," he says.

One of the biggest mistakes executives make when implementing companywide change is to disavow past achievements. "The last thing you should do is say that everything that went on before was wrong," says Wilkins. "What you're implying is that what we did in the past was wrong, and so were you."

Next, he says, the new vision for the company should be "shared and negotiated"—that is, senior executives should talk to as many employees in different divisions as possible. People from the varied divisions should have a chance to air their opinions about change. "Encourage them to tell you what's going on," Wilkins adds. Management must also let other employees know how serious the problems are or how difficult the challenges will be.

Finally, says Wilkins, executives should build a coalition. They should involve employees in the process of formulating changes, and implement some of their suggestions on a trial basis before introducing them companywide. Executives should also inform employees about how these changes will benefit them individually and the company overall. "It's politics in the good sense," says Wilkins. "You want to get people on your side."

IMPLEMENTING INCENTIVES

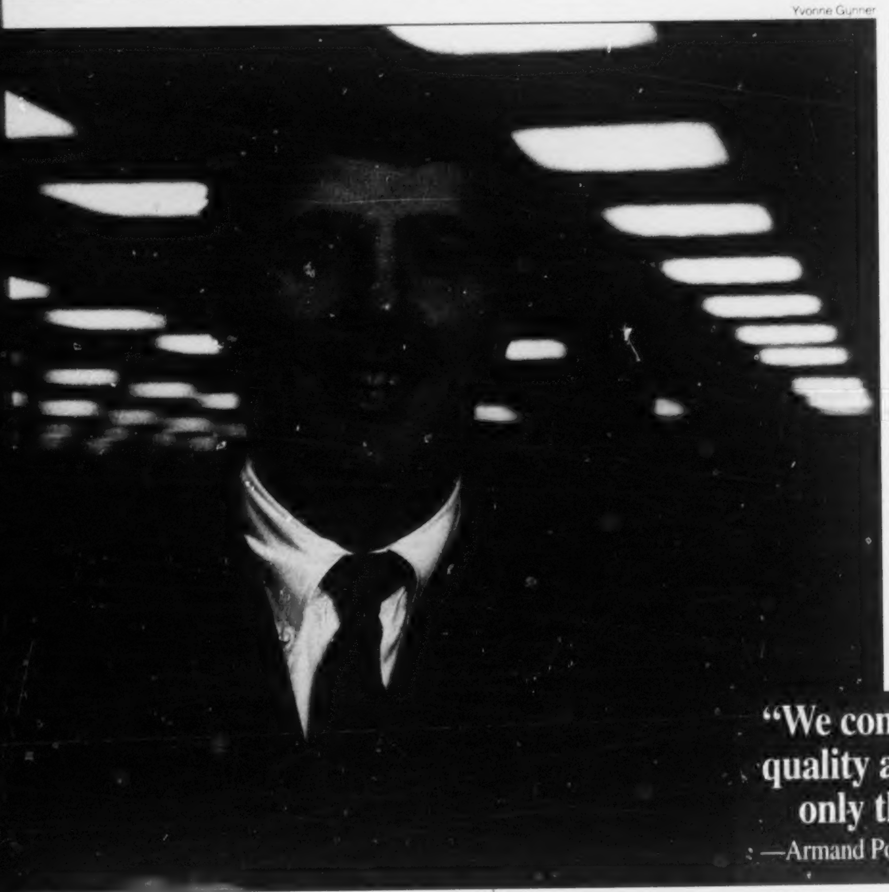
One way to rally employees behind corporate change is through motivation, recognition and incentive programs. However, Wilkins cautions, programs must constitute just a part of a company's overall strategy. "Reward programs can be very good, but companies should wait until they're very sure of their goals before designing them," he says. "First, when you're trying something new, like reshaping a company, you're not sure what behaviors you should be rewarding. Second, if you just drop in something like an incentive program, it may look like you're trying to manipulate behavior."

Charles Peck, a senior researcher at The Conference Board and author of two

WORKERS' VIEWS ABOUT INCENTIVES

93%	say American products could better compete against Japanese products if management better involved workers in efforts to improve quality and productivity.
57%	say their own companies offer meaningful incentives to maximize the quality and productivity of their work.
46%	say they think Japanese companies offer meaningful incentives to workers who improve quality and productivity on the job.
41%	believe the average company listens to employees' ideas.
40%	believe the average American company currently offers employees meaningful incentives to maximize quality and productivity.

Source: Survey on "Improving America's Competitiveness Through Employee Motivation," conducted by the Society of Incentive Travel Executives (SITE) Foundation.



Yvonne Gunner

"We constantly try to emphasize quality and service. They are the only things we can control."
—Armand Pohan, President, A-P-A Transport Corp.

reports, "Gainsharing for Productivity" and "Variable Pay: New Performance Rewards," agrees that such programs can be important. "They can reinforce changes in a culture," he says. "And they can be an integral part of focusing employees on customer service, quality and other corporate goals."

For example, says Peck, some companies are beginning to use important indicators such as customer survey responses in bonus and incentive programs, either on an individual or group basis. Others are using corporate profitability, production quality, increased market share and new market development as other long-term factors. "It really gets all levels of employees to think about these issues," he says.

The A-P-A Transport Corporation, a trucking company based in North Bergen, N.J., has instituted a number of programs to ensure excellence among its employees. Once a month about a half-dozen drivers, dock workers and managers at the company's five largest terminals meet over breakfast or dinner to discuss quality, including customer service, on-time delivery and safety. "We constantly try to emphasize quality and service," says president Armand Pohan. "They are the only things we can control."

In addition, A-P-A employs incentive programs for everything from improving operations and service to increasing sales. Two years ago, for example, A-P-A started the President's Club for its salespeople. One member is selected each quarter on the basis of a recommendation from a committee of three: the vice president of sales, general sales manager and director of marketing. Unlike many sales incentive programs, however, no quotas have to be reached. Instead, salespeople are judged on professionalism, product knowledge and customer service. Those who are selected receive a cash award, plaque, ring, satin jacket and a lunch with senior management.

Last year, A-P-A expanded the program to include a President's Club for operations workers. They too are selected by a committee and judged on the basis of their integrity, leadership and contributions to overall company profitability. Operations workers who are admitted to the President's Club receive the same rewards as salespeople.

These programs, along with A-P-A's employee of the month award, help establish a customer-focused atmosphere at the company, says Pohan. "That is the real goal of any of the things we do," he says.

EMPLOYEE COMMITMENT

Ensuring that employees are committed to and believe in incentive programs is, of course, crucial to their success. Programs must be fair, easily understood and have concrete goals and rewards. Without employee dedication, corporate changes will have little chance of taking hold.

And there is another consideration. Many employees today have become very cynical of change, says James E. Nickel, a principal at the international consulting firm Towers Perrin in Arlington, Va. "They kind of view anything new as the program du jour," he says. "They're skeptical, and they end up thinking that it's just another program that caught the chairman's eye and will soon be forgotten."

One reason for this, explains Nickel, is the abundant mistrust many employees feel toward senior management. It's not uncommon, he says, for employees to be asked to make sacrifices and enact changes, while top management continues to do business as usual, reaping big bonuses and perks. One company, he says, bragged about the millions of dollars a factory saved the corporation; executives, however, did little to reward the employees who brought about the savings. The result? Workers grew resentful of management, a situation that "happens a lot," according to Nickel.

Nickel also believes it's critical to involve labor unions in the shaping of any incentive or recognition programs. "For the most part, they are very cooperative and realize that incentives can be good for their members and the company. What workers are asking for is completely rational," he says. "They want to know what's going on; they want to be involved." ■

BY REGINA EISMAN

WHY COMPANIES ARE TURNING TO TOTAL QUALITY

When it's survival of the fittest, some of the fittest are attributing their success to Total Quality Management.

How can corporate America hold its own against foreign competition and the ravages of the recession? An increasing number of companies are finding that many answers lie in Total Quality Management, or TQM.

TQM—a management system that focuses on continuous improvement and counts among its components long-term goal setting, employee empowerment, and the use of worker teams to solve problems—has been around since the 1940's, but only in recent years has it formed the foundation of many companies' business strategies. Of 149 companies that responded to a 1989 survey by The Conference Board, a New York business-research firm, 111 said they had a quality-management system in place; 47 percent could attribute increased profits to the system. In another study, conducted by The Gallup Organization for the American Society for Quality Control in 1989, 54 percent of 601 senior executives surveyed said they were pleased with the results of their quality-improvement efforts, and 51 percent believed the U.S. was gaining on foreign competition in terms of quality.

Both quality consultants and executives who have embraced TQM believe that the process will help U.S. firms withstand the rigors of today's tough business climate. "I'd sum it up in one word: survival," says Roger Kaufman, director of the Center for Needs Assessment and Planning at Florida State University, and an industrial-engineering professor at the University of Central Florida. "Part of TQM is constantly meeting customer needs, and if you're not turning out something that the customer finds useful, it doesn't matter what else you do."

"We think that TQM is the key to our long-term competitiveness," claims Doug Chance, president of Octel Communications Corporation, a maker of voice-mail systems in Milpitas, Calif. "If we can provide answers to customer inquiries quickly and cut the time spent on reworking defects, we'll be in a better market position."

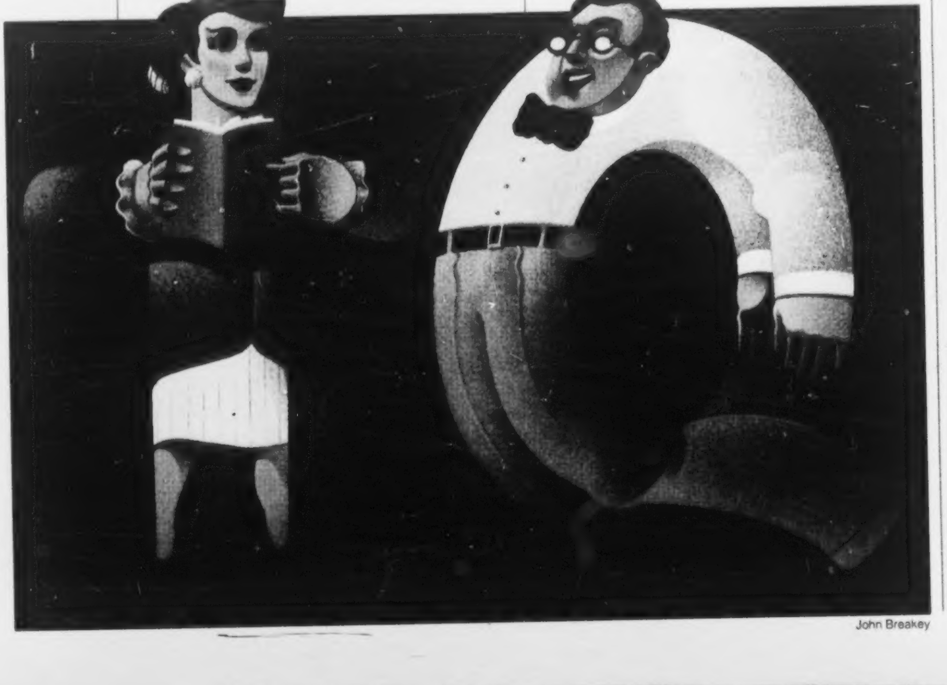
ELEMENTS OF QUALITY

Exactly what is TQM, and what does it involve? Experts agree that there's no concise definition, but TQM generally means that a company focuses on several critical goals:

■ Getting it right the first time, or creating systems that eliminate defects, instead of having to correct mistakes later. "Freedom from deficiencies means making sure things are done right the first time," says Howland Blackiston, president of The Juran Institute, a quality-consulting and training firm (named for quality guru Joseph Juran) in Wilton, Conn. "It costs less to do things right the first time."

The catalogue retailer L.L. Bean, for instance, now gives customers specific information about how a particular piece of clothing fits, and also tracks product returns due to sizing problems. In the past, customers who weren't sure what size to get would be told to order two sizes, thus wasting time—and the company's money—on product returns.

Philip Crosby, the author of eight books on quality management, and the



John Breakey

TRACKING TQM

As part of its 1990 study on Total Quality Management, the U.S. General Accounting Office asked 20 companies to keep track of internal improvements in four categories: product/service quality, employee relations, financial performance and customer satisfaction. Each company developed its own measurements for each category ("performance measures") and then reported to the GAO how many of those measures had improved. (It took an average of two and a half years for these improvements to occur.) The following chart represents the *total number* of measures and improvements recorded by the 20 companies.

CATEGORY	NUMBER OF PERFORMANCE MEASURES	HOW MANY IMPROVED
Product or service quality	65	59
Employee relations	52	39
Financial performance	40	34
Customer satisfaction	30	21

chairman of Career IV Inc., a consulting firm based in Maitland, Fla., estimates that not doing things correctly the first time costs at least 25 percent of revenues.

■ Meeting—or exceeding—customer expectations. "A lot of people think quality just means that something is good, but it's more than that," says James Bernard, president of Univar Corporation, a Seattle chemical distributor. "It's also meeting customer requirements—and changing your operations if those requirements change." For example, Solectron Corporation, an electronics supplier in San Jose, Calif., and one of the 1991 Malcolm Baldrige Award winners, surveys its 70 customer companies each week to assess their needs.

■ Continuously improving quality. A constant striving for better quality is perhaps the most important element of TQM. "Continuous improvement is never saying, 'We did all these quality projects, and now we don't have to do anything else,'" says Mark Hordes, president of Productivity & Quality Consultants International in Houston. "The process is ongoing." Bernard notes that "quality is a *process*, not a program." The word "program," he says, suggests a temporary situation, while "process" implies a cultural change or way of life.

Many companies are using various quality-award criteria to fuel their constant-improvement process. The Hewlett-Packard Company in Palo Alto, Calif., is measuring itself against the guidelines of the four-year-old Baldrige Award and Japan's Deming Prize, which Hewlett-Packard's joint Japanese-U.S. venture, Yokogawa HP, won in 1982. Hewlett-Packard plans to review each of its departments every two years to assess quality and devise changes based on its findings.

CRAFTING TQM

What are the steps to creating a quality-oriented corporate environment?

According to the experts, here's the path most firms take when developing a TQM culture:

■ Set up a committee (often called the Quality Council), consisting of senior-level employees, to guide quality within the organization.

■ Ensure senior management commitment to the quality process: Senior executives have to be involved in the company's quality efforts from day one. "I can't point to one instance in which stunning results have been achieved without the active participation of top management," Blackiston notes.

■ Empower employees. Give workers the authority to make certain decisions on their own. "Turning things over to the employees makes sense because they know their jobs better than anyone else," Kaufman says. For instance, Beverly, Ohio-based Globe Metallurgical—the only company to have won both the Baldrige Award and the Shingo Prize for Excellence in Manufacturing—uses no time clocks in its manufacturing plants and no first-line supervisors. "There are group leaders, but the teams basically manage themselves," says president Arden C. Sims.

■ Establish employee teams to solve problems and make recommendations. In addition, Blackiston says, create a process that will help you select the projects you want to tackle and appoint the teams that will tackle them. (Establishing teams and empowering employees are hallmarks of a management style known as participatory management.)

■ Set up specific, measurable objectives, both short- and long-term, as well as "stretch goals"—ones that the company must strive hard to attain (i.e., "reduce costs by 20 percent," "improve customer service by 10 percent").

One important stretch goal—and another important element of TQM—is "zero-defect management." Motorola,

Anne Hamersky

which garnered a Baldrige Award in 1988, has pioneered the concept by aiming to achieve "Six Sigma Quality," or a near-perfect defect record (3.4 defects per million). Solectron is now at Five Sigma, or 233 defects per million. The company has an even better record in certain areas, such as solder joints, in which it boasts a rate of fewer than 10 defects per million, claims president and co-chief operating officer Ko Nishimura.

- Solicit feedback from customers—and don't neglect *internal* as well as external customers. Any employee whose job depends on another's can be considered a customer; for instance, workers who fill product orders are the customers of those who take orders over the phone.
- Train all employees in quality-improvement techniques, ranging from technical skills such as benchmarking to people-oriented skills such as running a team meeting. Much of this process should involve hands-on training. "You can't just get people in a room and teach them quality," says Blackiston. "You need to do it while they're undertaking a project, so that they can learn by doing."
- Update the firm's reward and recognition system. "About 10 percent of everyone's time will be spent on quality efforts, so rewards should reflect these new responsibilities," says Blackiston. Awarding plaques, staging recognition banquets and publicizing employee achievements in company newsletters are some of the ways that companies can thank their workers. Last year, for instance, Houston's Shell Oil Company created a President's Award for Excellence to reward teams that solved problems and improved processes. Winners are honored at a dinner, and finalists are recognized at a separate party as well.
- View mistakes as a learning experience. "You have to stop blaming people," says Kaufman. When something goes wrong, take the opportunity to improve a particular process, rather than finding a way to assign blame, he adds.

"Our number-one goal is to serve our customers, but we also want to reduce operating costs by 20 percent over the next couple of years."
— Peyton Gannaway,
President, Anthem Electronics

ROBUST RESULTS

Companies that follow these principles are realizing substantial gains. In a study conducted by the U.S. General Accounting Office, service and manufacturing firms reported that it took an average of two and a half years to gain initial benefits from TQM. Brian Joiner, chief executive officer of Joiner Associates, a consulting company based in Madison, Wis., adds that it can take companies five to 10 years to achieve world-class status in management practices, but that some payoffs can be seen in a month's time.

Anthem Electronics in San Jose, Calif., has already reaped some rewards, although its formal quality process didn't start until mid-1990. "Our number-one goal is to serve our customers, but we also want to reduce operating costs by 20 percent over the next couple of years by making our systems more efficient. This, in turn, means better customer service," says president Peyton Gannaway.

"Customers liked us before, but they like us even better now," he adds. "The responses from our customer surveys are improving, and we know that they respect what we're doing." Profits at Anthem have also increased from $408 million in 1990 to $420 million in 1991, though Gannaway can't be sure that this windfall is due to the firm's quality efforts.

So far, Anthem has sent a group of executives to study with W. Edwards Deming for four days, and has set up a quality steering committee to coordinate improvement among divisions. Employees serve on quality teams and undertake projects that they assign themselves. If workers spot a problem within the organization, they can do one of three things: Take it to an existing quality committee, form an ad-hoc team to study it, or meet with supervisors to discuss solutions.

"We're looking at everything we do to see if we're doing it in the most timely, accurate and efficient way," Gannaway says. The company is studying ways in which it can reduce the amount of paperwork processed, refine bar-coding methods, improve means of packaging and shipping parts among company divisions, and enhance voice-mail systems among divisions.

Of course, the longer companies have practiced TQM, the more striking their results have been. Solectron, which initiated the move toward TQM in 1984, has, aside from attaining Five Sigma Quality, decreased the closing period for its monthly books from nine days to three by eliminating various defects in its accounting process.

The firm's pre-tax profits have risen by 30 percent over the past three years, which Nishimura attributes, at least in part, to TQM. "When we talk about TQ, we don't talk in terms of saving money—we talk in terms of improving quality," Nishimura says. "But when you improve quality, you end up saving money."

The Shell Oil Company has experienced some favorable results as well. For instance, the company has revamped its credit-card Actionline by installing a voice-mail system, restaffed the Actionline to coincide with peak and off-peak calling times, and created a separate phone number for Shell dealers. The team that worked on this project reduced its busy-signal rate from 80 percent to 3 percent, says Philip J. Carroll, executive vice president of administration.

Hewlett-Packard, which won the Douglas D. Danforth Award for Quality in Manufacturing in 1991, cites an array of impressive developments since the late 1970's, when it found that 25 percent of its manufacturing costs could be attributed to quality problems. In his acceptance speech for the award, Hewlett-Packard's president and chief executive officer John A. Young said that the company has come very close to achieving its stretch goal: a tenfold decline in the rate of product failures.

While some critics claim that TQM is simply a meaningless buzzword, quality experts see the far-reaching value of the practice. "Some people say TQM is a fad, but it's a revolution," says Ross Robson, dean of the Utah Business School and executive director of the Shingo Prize. "I'm convinced it's going to stay with us because the Japanese are forcing us to pay attention to quality."

"In hard times, a lot of companies still resort to cutting staff," says Joiner. "Can TQM avoid this? Maybe not totally. The federal deficit, the credit-card economy of the 90's—we'll be paying for these things for a long time. I don't think anything, TQM included, is a guarantee against layoffs. But it's the best way that I know to avoid being destroyed by negative forces." ■

'CAPITAL' GAINS

"Quality in government" is rapidly losing its status as an oxymoron and racking up an array of impressive results.

The federal government estimates that employee suggestions have been saving Uncle Sam more than $1 billion a year. By the end of 1992, the government is hoping to improve service efficiency by 20 percent—a figure that some government-watchers say could reduce the deficit by about 5 percent.

Much of the momentum has come from the Federal Quality Institute, created by President Ronald Reagan in 1988. The FQI, based in Washington, acts as a kind of TQM overseer—holding TQM seminars for federal agencies, maintaining a quality library and working with quality-driven companies like Xerox, Motorola and Westinghouse, who advise the government on its efforts to improve efficiency.

The FQI was the second phase of a government productivity push that started in 1986 with the President's Productivity Improvement Program. This program required government agencies to improve their performance through such TQM practices as developing productivity goals and measurements, starting employee-involvement programs and distributing rewards for workers' achievements.

In 1988, the federal government kicked off its Annual Conference on Federal Quality and Productivity Improvement, which combines workshops and panel discussions with a recognition ceremony for the government's Excellence Awards. Branches of the U.S. Navy, the National Aeronautics and Space Administration and the Veterans Administration are among those that have been singled out for their quality accomplishments. In 1989, a technician at a naval aviation depot in California became the first government employee in years to win the "suggester of the year" award from the National Association of Suggestion Systems. He garnered the honor for developing a computerized inventory system that has saved the Navy more than $600 million so far.

EYE ON THE PRIZE

Quality-driven companies have a chance to be recognized for their achievements through a number of quality awards. Among them:

■ The *Malcolm Baldrige National Quality Award* was created in 1988 by the U.S. Department of Commerce and named after its late Secretary. The Department of Commerce's National Institute of Standards and Technology gives the award to American companies in three categories: manufacturing, service and small business.

■ The *Deming Prize* was established in 1951 by the Japanese Union of Scientists and Engineers to honor W. Edwards Deming, the consultant who taught quality control to the Japanese. Awards are bestowed on firms in four categories: small enterprises, large enterprises, factories and company divisions. Though the award originated in Japan, non-Japanese companies are eligible to apply.

■ The *Japan Quality Control Award*, created in 1969, is only for companies that have won the Deming Prize and have since achieved an even higher level of excellence. Applicants must wait five years after winning Deming to apply for this award.

■ The *Shingo Prize for Excellence in Manufacturing* goes to American companies or Japanese factories in the U.S. The award, named for a Japanese consultant, is sponsored by several organizations, including the American Productivity & Quality Center, the National Association of Manufacturers, the Health Industry Manufacturers Association and the Association for Manufacturing Excellence. The prize, launched in 1988, is given in both the large- and small-business categories.

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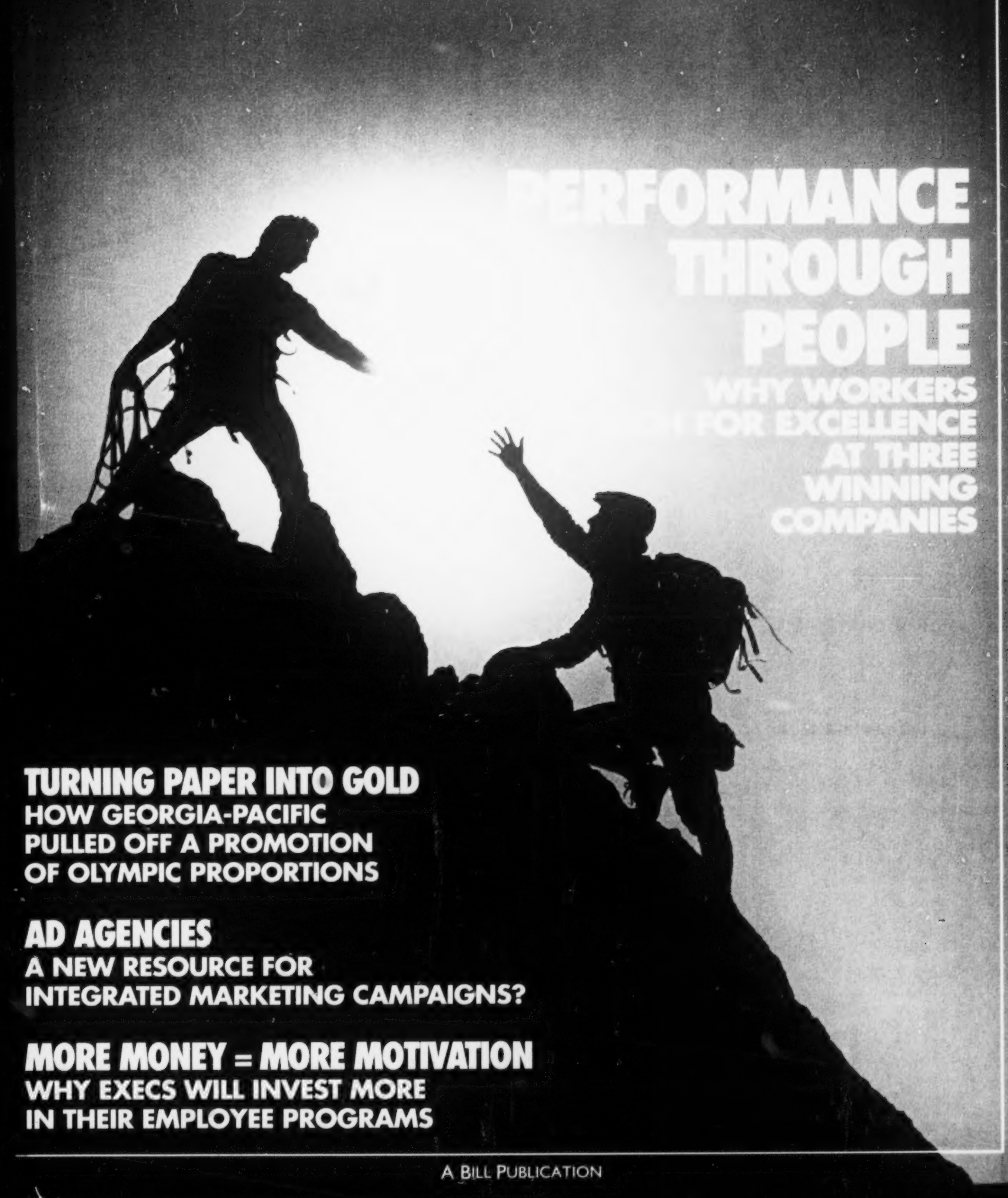
JUNE 1992

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



PERFORMANCE THROUGH PEOPLE

WHY WORKERS
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TURNING PAPER INTO GOLD

HOW GEORGIA-PACIFIC
PULLED OFF A PROMOTION
OF OLYMPIC PROPORTIONS

AD AGENCIES

A NEW RESOURCE FOR
INTEGRATED MARKETING CAMPAIGNS?

MORE MONEY = MORE MOTIVATION

WHY EXECS WILL INVEST MORE
IN THEIR EMPLOYEE PROGRAMS

A BILL PUBLICATION

INCENTIVE
MANAGING AND MARKETING THROUGH MOTIVATION

JUNE 1992
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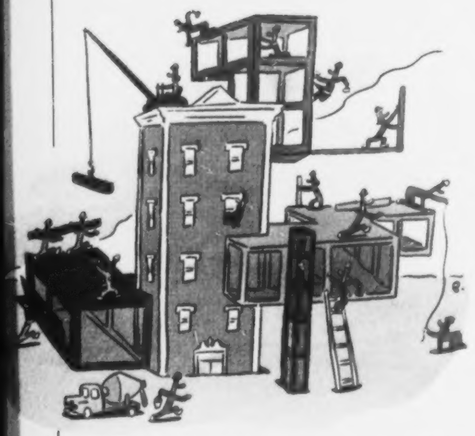

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INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

THE FLIGHT OF SPECIAL MARKETS

BY BRUCE BOLGER

Loyal **Incentive** readers know that we've actively promoted "value pricing" as a key to capturing and keeping customers. As early as August 1989, a cover story entitled "Demise of the Discount" predicted that companies would shift from periodic markups and markdowns to an "everyday low price" strategy. This approach focuses on providing customers with the best possible price year-round while relying on added-value offers like incentives to stimulate demand when necessary.

So, it was with great excitement that we watched the spread of "value marketing" to the airline industry, where the "old" pricing strategy had reached the ultimate level of absurdity. Now, as events unfold, we wonder whether some airlines have taken "value marketing" to *its* ultimate level of absurdity.

Over the years, airlines relied heavily on their myriad fares to address specific market segments, among them the meetings and incentive markets. Administering and negotiating these various fares became a major part of the job of those specialists serving the particular markets.

With market segmentation becoming so heavily based on price strategies, at least one major airline seems to have determined that it can eradicate market specialists along with its market-specific fares, and thus reduce manpower costs to help offset the reduction in air fares for business travelers. Under this approach, the airline apparently will push all of its market segments through the same regional sales offices that handle travel agency and consumer business. This way, it can do away with marketers and salespeople who target corporate accounts and other specific market segments.

It appears that some airlines had become so hung up on price strategies that they may have forgotten other, even more important market segmentation strategies. Most companies rely less on price to satisfy specific market segments and more on special services, products and expertise. Most know that it's not enough to provide a product or service and say, "We're here, call us one and all." Companies must demonstrate commitment to their market segments and train personnel to understand their distinct customers, needs, buying patterns, trends, opportunities, peculiarities, etc.—even if everybody gets the same basic prices.

Without market-segmentation strategies based on specific services, companies quickly lose touch with the buying patterns in their market segments. Customers begin to feel they're just another number and that the company doesn't really care about them. They quickly gravitate to the companies whose salespeople call and offer expertise and knowledge specific to their needs.

We hope the airline value pricing strategy will last, but we doubt that any airline will succeed at eliminating the need for market segmentation. Those airlines that do away with market specialists and targeted marketing programs will soon discover that value marketing has nothing to do with forgetting the specific needs of specific customers.

Bruce Bolger

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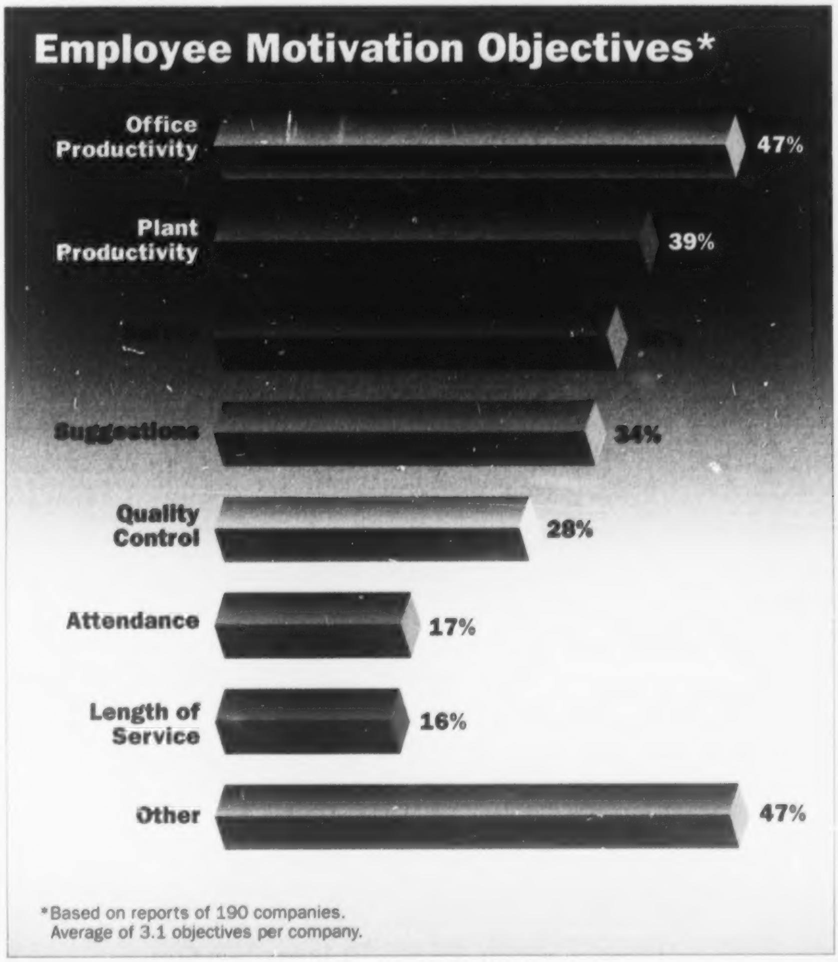

*Based on reports of 190 companies.
Average of 3.1 objectives per company.

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FACTS SURVEY
NON-SALES INCENTIVES

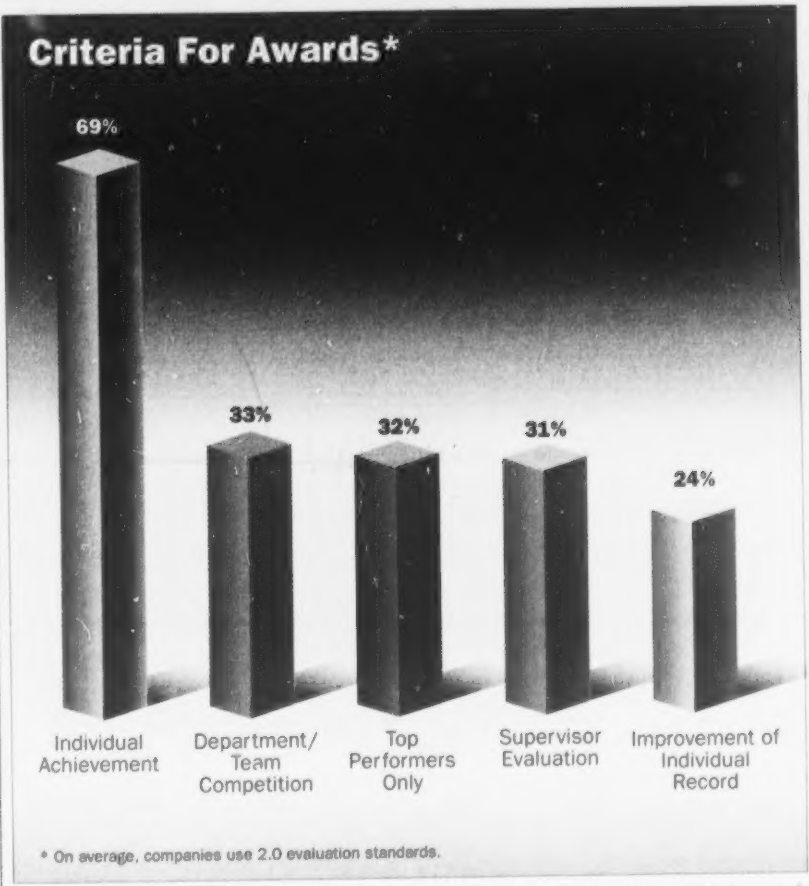
After two fallow years, incentive programs targeting non-sales personnel—comprising everyone from office workers to factory workers—appear to be growing again. **Incentive**'s latest survey of users shows that while employers aren't predicting a real boom now, they are budgeting an average of 7.4 percent more this year for programs and awards to motivate non-sales employees.

Awards for office and production workers had seen double-digit increases for several years, but spending slowed to a growth rate below the rate of inflation in 1990 and '91—just 4.6 and 2.4 percent, respectively. The estimates were based on respondents' expenditure figures for two years; in the 1992 survey, 213 firms have reported both their 1991 spending and their 1992 budget plans.

> Citing the effectiveness of employee campaigns, executives report some growth in their '92 spending plans.

The slowed pace of workplace incentives appears to be just another byproduct of the recent economic slide. Reduced staffing and downsizing simply cut the number of awards needed at many companies. Still, incentives were being used in various forms by many firms. "Our people," writes one survey respondent, a manager of an Eastern wholesaler

Charts: Dale Glasgow

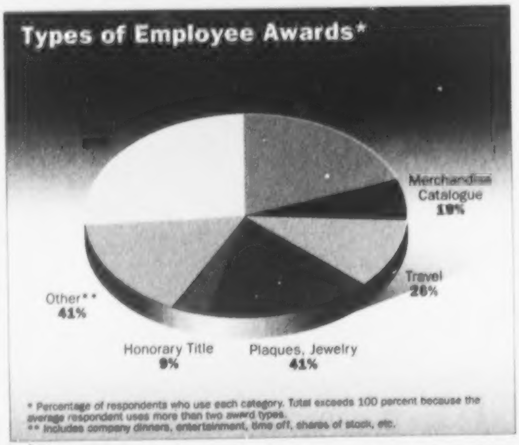


Criteria For Awards*

* On average, companies use 2.0 evaluation standards.

with 35 employees, "have traded salary increases for performance-based incentives. We have increased productivity dramatically—but we have fostered resentment in some employees who are uncomfortable with the risk factor. Salary adjustments are made, but less frequently than before, and are based on comparison of profit growth against CPI."

"At our company," says Heather Krebs, coordinator at Texas Instruments in Hunt Valley, Md., "we have suffered two layoffs within the past two years. The company size has diminished considerably. Although the monetary value of our awards is not high, they do give the employees a boost. When they do something significant, we recognize it and give them something (anything from T-shirts to gift certificates to crystal). This can make a real difference in morale." Her budget has not changed greatly this year, and covers awards for "all employees from president to janitor," she adds.



Types of Employee Awards*

* Percentage of respondents who use each category. Total exceeds 100 percent because the average respondent uses more than two award types.
** Includes company dinners, entertainment, time off, shares of stock, etc.

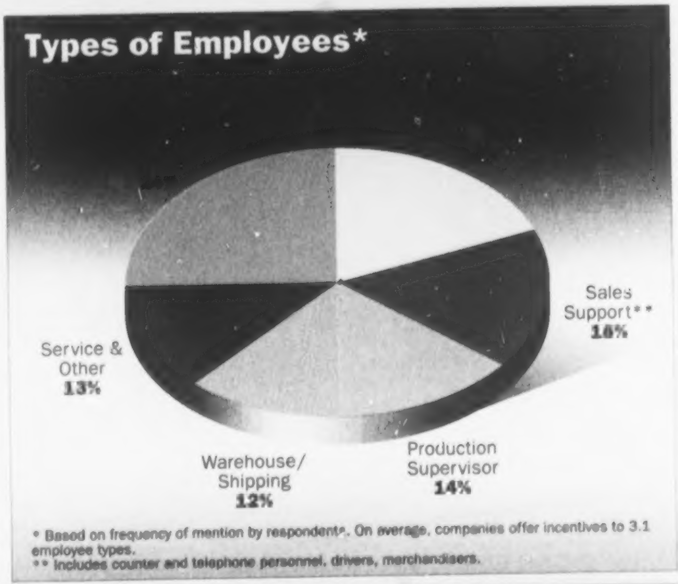
Users' objectives have not changed tremendously versus those reported in past campaigns, but there have been a few notable shifts. Office productivity is still the most common campaign goal, but it's favored by only 47 percent this year, down 10 points from the '91 survey. Quality control also receives a bit less emphasis (down 6 points). But 4 percent more people promote plant productivity, and safety grew by 6 percentage points. Safety, in fact, is a target of 36 percent of these companies—making it the third most-popular objective, up from sixth place a year ago.

There are a number of apparent reasons for the growth in safety incentives. Progress keyed to safety is likely to be reflected in other gains, namely productivity and quality. The issue of safety is also easily promoted and dramatized in a plant or office campaign, and its results are relatively easy to measure. It also has the extra value of a tax advantage: Within prescribed limits, the non-cash safety award is a deductible expenditure by the company *and* not taxable as employee income. Only length-of-service campaigns offer this edge in the tax code.

An Oregon lumber firm, for instance, is offering its 480 employees merchandise prizes, gift certificates and cash in two separate safety campaigns. Management awards both individual and group achievements, and the human resources director writes that "we have completed two years without a lost-time injury, and we have set new production records at the same time."

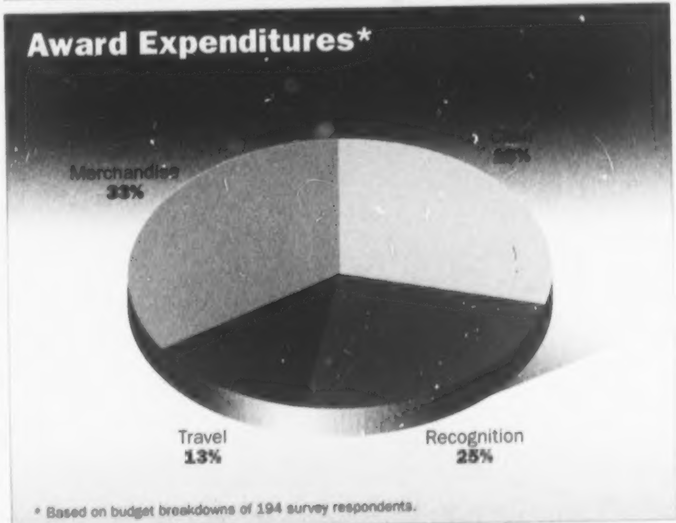
Truck drivers are often targeted in safety programs, and Consolidated Personnel Corporation in Chesterfield, Mo., has a two-year-old plan that yields real benefits, according to David McFarland, manager of safety and workers' compensation. He reports that most rewards consist of merchandise, with a few trips awarded for such honors as Driver of the Year. About 1,100 drivers participate, and 65 percent win some awards. "As we begin the third year of our Safety Incentive Program," says McFarland, "we have seen a reduction in total on-the-job injuries incurred by employees. We are attempting to maintain a constant awareness for safety among the employees. To accomplish that goal as well as employee recognition, we publicize winners monthly in our company newsletter as well as at drivers' safety meetings. While we have achieved a reduction in injuries, equally important is the recognition for the drivers."

Recognition remains fundamental to employee incentive



Types of Employees*

* Based on frequency of mention by respondents. On average, companies offer incentives to 3.1 employee types.
** Includes counter and telephone personnel, drivers, merchandisers.



Award Expenditures*

* Based on budget breakdowns of 194 survey respondents.

programs, and specific recognition awards—plaques and trophies among them—are still popular, and growing more so this year. Users say they spend 25 percent of their award dollars for recognition items, up from 21 percent a year earlier. Merchandise gained a point, to 33 percent, while cash now represents 29 percent of recognition-prize expenditures, a point less than in '91. Travel has declined somewhat in usage, from 17 percent to 13 this year.

In this year's survey, the respondents' universe of workers is a bit smaller than last year's—an average of 2,372 total workers per firm, of whom 1,667 are eligible for awards. A year ago, the survey respondents reported an average of 3,320 staff members and 1,992 prospective incentive-program participants. However, the figures reveal a gain in the percentage of employees eligible: More than 70 percent are now covered by the incentive plans, up from the 60 percent who participated in award campaigns last year.

MORE PROGRAMS, MORE WINNERS

The survey also shows an increase in the total number of programs. The survey reveals a median of two programs lasting a median of 12 weeks each, the same as in 1991. The *average* number of programs reported is 4.2, up from 4.0, and the average duration has expanded to 24 weeks, compared with 20 in last year's study.

On the average, slightly more employees are qualifying for awards, with 47 percent of the eligible people winning, according to this year's survey. The '91 average was 45.

The cost of individual awards has changed slightly, with an increase of $8 to the present average of $539; the median remains at $100 for both years. Lower-cost awards are common in employee incentive programs, however, and they seem to be effective for many users. Hercules Steel Company, a structural-steel fabricator in Fayetteville, N.C., has an ongoing plan for about two-thirds of its 75-member work force, and the company uses merchandise costing from $15 to $50, plus some cash awards.

"We have increased on-time perfect attendance," writes Ken Tayler, vice president of sales at Hercules. "Safety is stressed at monthly meetings, and there are quarterly drawings for cash. Catalogue coupons and bonus coupons are awarded for on-time, perfect attendance monthly, quarterly and yearly. The 'Employee of the Month' is awarded cash and a plaque. These award programs have helped build company morale, cut our accident rate significantly, and improved quality control and individual performance and appearance."

A similar varied diet, but one featuring bigger-ticket merchandise awards, appears to work for Continental Disc Corporation, a Kansas City manufacturer with 160 office and production employees. Personnel manager Lesley Findlay reports, "Our primary types of awards are for perfect attendance, safety and quality-improvement suggestions. If a first award is for safety or attendance, we use a company jacket; subsequently, employees can order from a merchandise catalogue. The quality awards are crystal mugs with our logo. We also give service awards, which are merchandise items from a special brochure. Our safety program has possibly produced the greatest result: Accidents have been reduced by a large percentage since we started the program 18 months ago."

SPREADING THE WORD

The top communication vehicle among the surveyed companies is employee meetings, used by 77 percent to announce a program. Supervisors directly pass the word on in 57 percent of cases, and 55 percent rely on employee publications. Other media for promotional drum-beating include posters and bulletin boards, used by 47 percent; and mailings to employees' homes, a tool of 19 percent of respondents.

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FACTS SURVEY

CONTINUED FROM PAGE 32

For awards presentations, 70 percent of executives in the survey rely heavily on companywide meetings as the main platform. About 43 percent choose departmental meetings, and another 43 percent also use company publications. Presentations are private occasions for 36 percent of companies, while 30 percent post results on bulletin boards and 10 percent issue press releases.

Comments submitted along with the survey responses underscore the flexibility of non-sales programs. "We instituted a quality and excellence award program three years ago," an executive at an Ohio engineering firm writes. "The program is based on peer nominations of colleagues who, by individual performance, have contributed to the overall quality of our services. Winners are selected quarterly in each of 25 operating units by peer committees. Grand-prize winners in each office are then awarded an all-expenses-paid weekend. The net benefits have been improved levels of performance in all operating units."

Yankee Swapper, a Cranston, R.I., publisher, conducts four quarterly campaigns for its 85 office, production and sales-service personnel, with about 50 percent of participants earning awards from a merchandise catalogue. The result, says sales manager Robert E. Middleton, is that "incentives are responsible for an increase of 51 percent in sales over the last 15 months—over $1 million in sales. The award unit cost is only $126."

Perhaps the best testimonial to non-sales programs comes from an executive whose company *doesn't* offer them. "We have no formal award program other than for length of service," says a supervisor of marketing communications at a Midwestern chemical company. "All awards programs are for sales only. My company is very narrow-minded in their thinking. They spend a lot on trips and other things for the salespeople. They don't seem to realize how unmotivating it is to be a non-sales person and see all the riches being bestowed on so few." □

AD AGENCIES

CONTINUED FROM PAGE 34

service, which included ads, direct marketing and a premium offer (a Japanese "daruma" doll); and the Hallmark ads that contained an empty greeting-card envelope; consumers could bring the envelope into the store and get a free card.

The teamwork concept isn't entirely new to Burnett. "We've always had teams when it came to creating advertising," Dudreck explains. "For instance, a team would involve people from the creative and media departments. Culturally, we were already set up to do this, but with the new focus on integrated marketing, we've opened up the team to include more players."

Teams are even transcending geographical borders. For instance, three companies owned by New York's Omnicom Group worked on the 1989 launch of the Gillette Sensor men's razor—BBDO handled the advertising, Rapp Collins Marcoa the sales promotion and Porter-Novelli the public relations. According to David Scholes, president of Rapp Collins Marcoa, the account people from all three companies constantly met and stayed in touch. "The campaign had to speak with one voice," he says. "Sensor had to promote one image, which was that it was a revolution in men's shaving and a superior system. So the ad theme worked very closely with the direct-marketing materials, and we used the same photos." Included in the launch was a sampling program, in which interested consumers, who were pre-qualified through the mail, received a free razor.

CLASSES IN COOPERATION

To stress teamwork, agencies have developed education programs to get employees more comfortable with non-advertising areas.

At Lintas:Worldwide's "Lintas: University" (developed with the University of Chicago's Graduate School of Business), for example, middle and senior managers attend seminars on various aspects of integrated marketing, including sales promotion, public relations, merchandising and direct marketing.

"This was a response to the changing nature of the business and the needs of our clients," says Dauer. "We want to broaden people's perspective, to have them look at marketing problems with an unbiased approach, rather than trying to solve a marketing problem with advertising alone if other tools are appropriate."

Similarly, at Leo Burnett, which consulted with Northwestern University for its program, "We're not teaching advertising executives how to do sales promotion or event marketing, but rather to know when these disciplines can help solve a marketing problem," Dudreck explains. "Once they know this, they can tap into their employees' thinking about what to do for a specific client."

Even with the best education and teamwork, however, agencies won't get far if they don't do what's best for the client. "An ad agency shouldn't suggest that its client use its promotion division just because it's part of the agency, but because it can help the client," cautions Ray Rizzo, president of Greenwich, Conn.-based Clarion Marketing and Communications, the marketing division of D'Arcy Masius Benton & Bowles, New York. "They really have to sell the *benefits*—what's in it for the client?"

Pamela DuBose, director of marketing communications at Burson-Marsteller, a New York public relations firm that's involved in promotions, agrees that a sales promotion should not be done for its own sake but because it helps achieve a specific objective. "People don't usually come to us and say, 'Let's do a sales promotion,'" she says. "They come to us with a problem, and the solution sometimes becomes more of a promotional solution rather than straight P.R."

Agency executives believe that integrated marketing will only get stronger. "We've made enormous strides with it, and we've won business because of it," says Dauer. Companies that focus on this form of marketing will prosper, predicts Wagner: "It will become a differentiating factor." □

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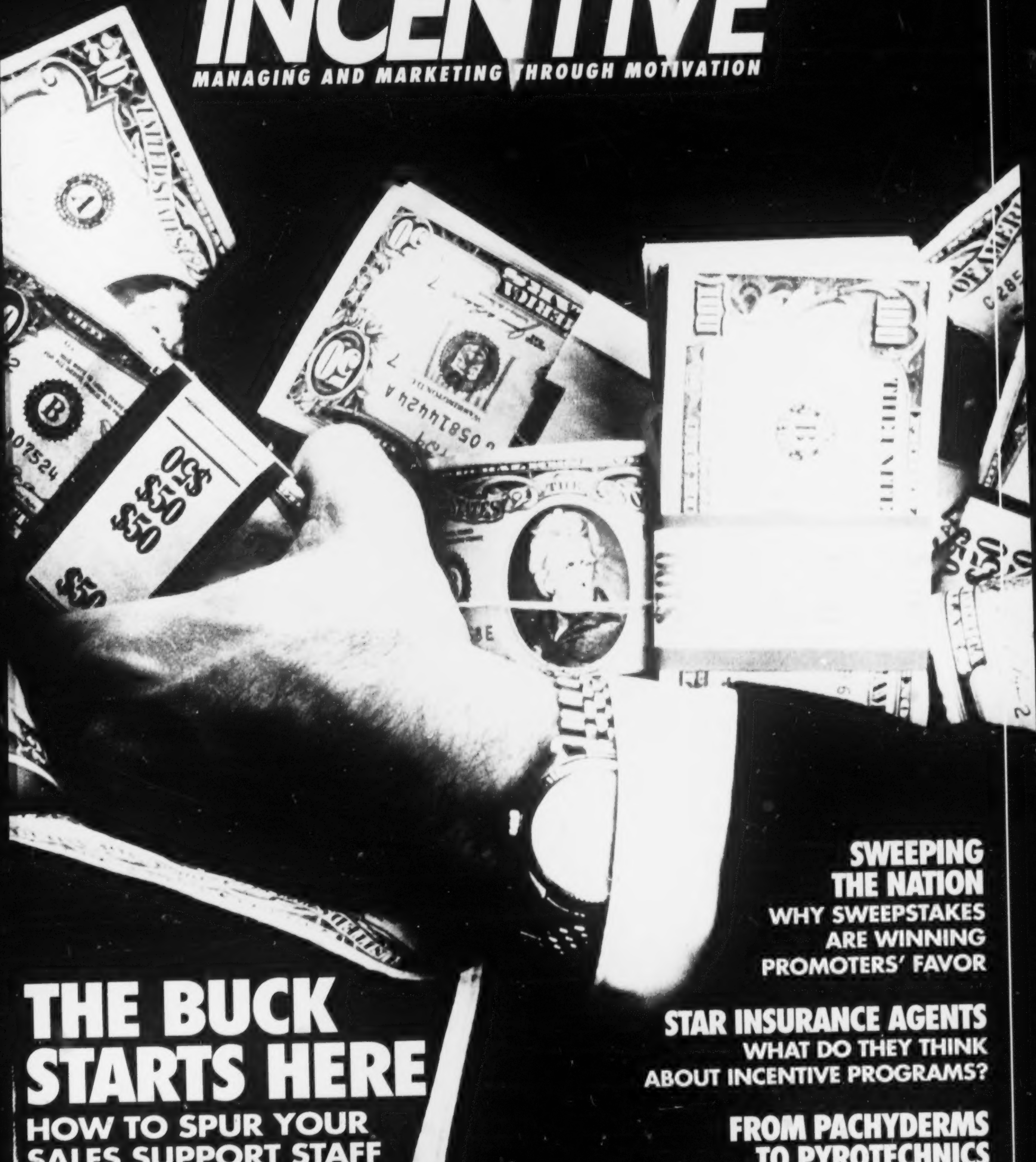
JULY 1992

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



SWEEPING THE NATION

WHY SWEEPSTAKES ARE WINNING PROMOTERS' FAVOR

STAR INSURANCE AGENTS

WHAT DO THEY THINK ABOUT INCENTIVE PROGRAMS?

FROM PACHYDERMS TO PYROTECHNICS

THE REASONS BEHIND ALL THOSE STRANGE EVENTS AT CONFERENCE CENTERS

THE BUCK STARTS HERE

HOW TO SPUR YOUR SALES SUPPORT STAFF TO GENERATE LEADS

A BILL PUBLICATION

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

JULY 1992
88TH YEAR,
VOL. 166, NO. 7

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Cover photo by © 1990
Stan Fellerman/The Stock Market

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

HIGHER EDUCATION

BY BRUCE BOLGER

Over the past two years, **Incentive**, with the help of advertisers, has undertaken extensive efforts to educate corporate America about the use of incentive programs. We based this on the well-substantiated fact that few executives or managers have received any formal training on the development and execution of incentive programs and that, as a result, many campaigns contain serious flaws.

We have now come to another, even more startling conclusion: Relatively few people *selling* incentives—either for incentive companies, promotion companies or travel and merchandise companies—know much beyond the basics of program design.

While most of these salespeople have great expertise in their own products or services, and they certainly know the basic ingredients of successful program planning, many would have great difficulty designing a program from start to finish. This applies not only to incentive programs for dealers, salespeople and non-sales employees, but also to consumer promotions such as self-liquidators, frequency programs, or contests and sweepstakes.

Companies probably would argue that their salespeople really don't need nitty-gritty expertise in the craft of program planning. Some might argue that most incentive and promotion clients already know what they're trying to accomplish and don't need expertise from their suppliers. Others deal with the problem by employing in-house experts with whom salespeople can consult.

Why the apparent lack of planning expertise? Part of the reason stems from the general lack of knowledge in the industry at large. Another problem is the educational approach of the incentive associations, which do a very good job of defining the various types of incentive programs and providing case studies on successful programs, but seem to overlook the more basic job of training people on the basics of program planning.

Here's an exciting idea for incentive associations trying to revitalize their educational programs: The Institute of Advanced Advertising Studies, a program offered by the American Association of Advertising Agencies, recently graduated its first class of 40 agency executives who took a four-month course scheduled around work hours. The New York Times, reporting on the program, quoted an agency executive who said that the program provides the sort of intensive training most ad agencies can't provide. If ad agencies can't provide such training, it's likely that incentive companies, promotion agencies and merchandise and travel suppliers can't either.

Trained salespeople will give suppliers a competitive edge: It will help them sell incentive programs to non-users, as well as to design programs that keep customers coming back for more. Poorly trained salespeople not only hurt their own companies—they hurt the entire industry, creating the impression among end users that many suppliers really don't know what they're doing.

Bruce Bolger

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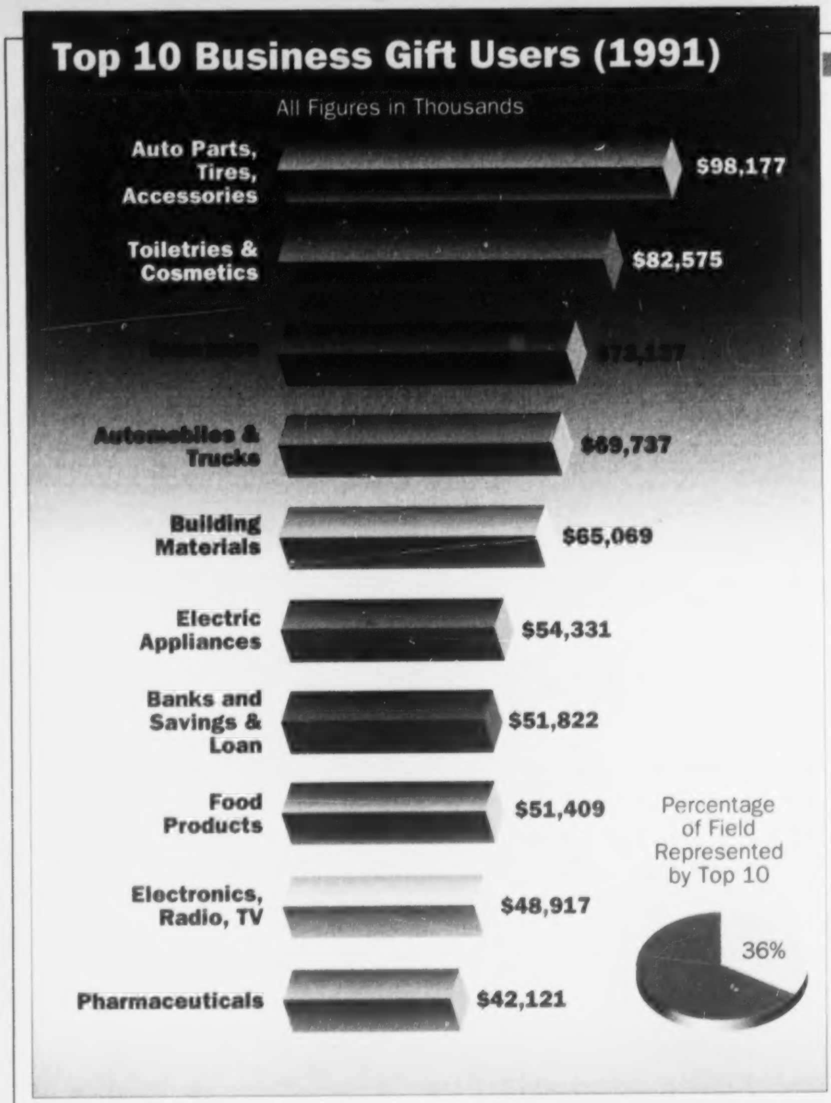
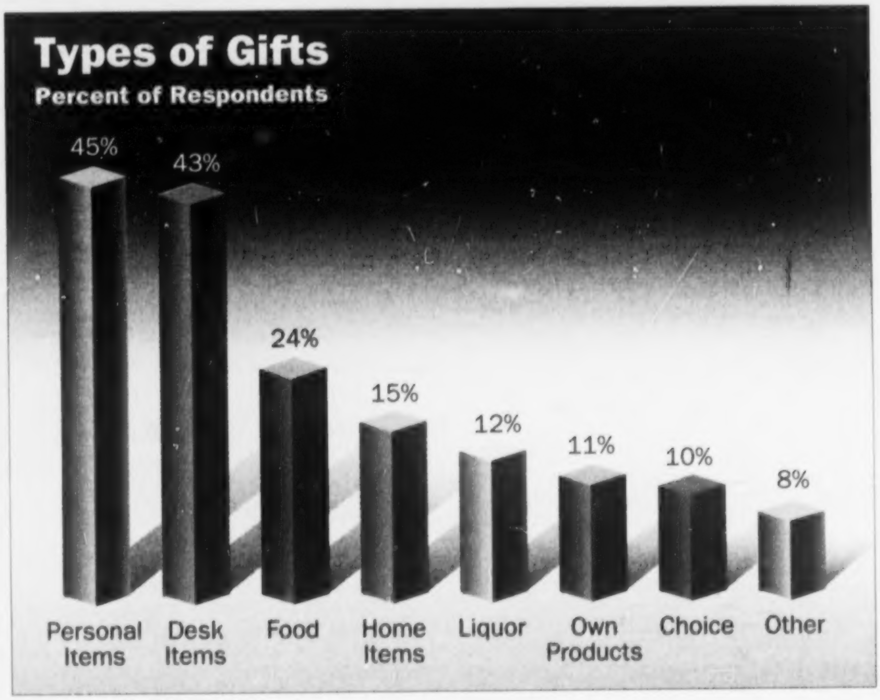

Top 10 Business Gift Users (1991)

It might be better to give than to receive, but nowadays, corporate executives say it's just better to give less.

FACTS SURVEY BUSINESS GIFTS

Which will win out in 1992? The spirit of good will, or the spirit of cost-cutting? According to **Incentive**'s annual survey of business-gift buyers, it appears that corporate cost-cutting will be the policy of choice. Executives' current forecasts indicate a rather stingy increase of 1.8 percent in spending for gifts over the 1991 outlay of $1.75 billion.

While the numbers suggest that the recession continues to affect the practice of business-gift giving, respondents in prior surveys have been surprisingly upbeat in their projections of spending on awards for sales-force and dealer incentives. Executives who responded to **Incentive** surveys earlier this year revealed that they were still thinking recession, with their trade incentive budgets rising by only 3 to 4 percent. But in this survey (which again



included a question about spending projections for sales and dealer programs), respondents said they plan to put a renewed emphasis on trade incentives, adding about 14 percent in award expenditures for sales and dealer promotions this year. Contrast that with the planned 1.8-percent increase for business gifts, and you get a sense of the low priority placed on corporate gift-giving this year. The good news, at least, is that executives are planning an increase at all: 1991's final estimated gift bill actually fell 0.1 percent below the previous year's.

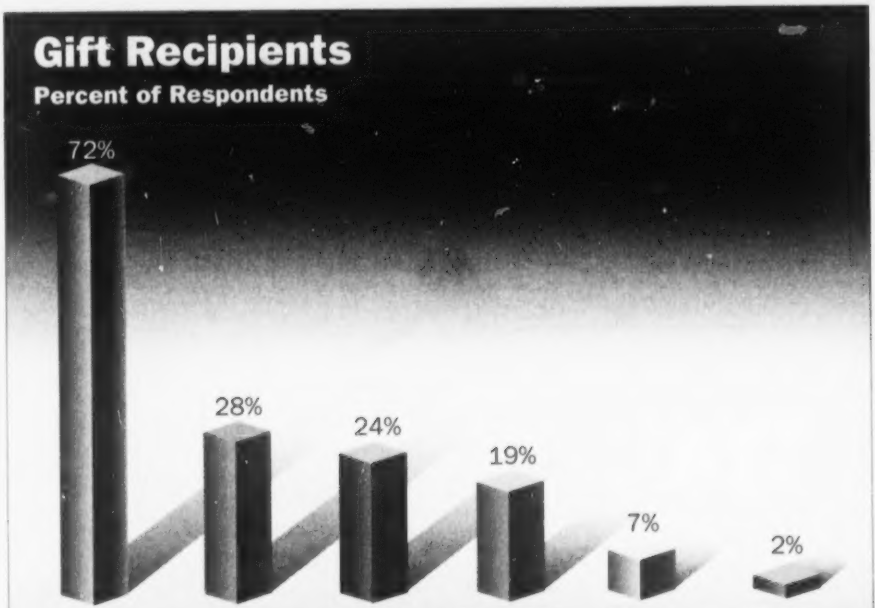
"Because of the recession, cash flows have made us go bare-bones," wrote one respondent, the president of a small New Jersey wholesaler. "If the banks were not greedy and lent to small business, we would be expanding and buying more."

Not all respondents were so gloomy. A small New England publisher commented: "Currently, due to poor economic conditions in New England, we reward only those advertisers who have a perfect payment history and multi-insertion record (in one year) in any of our publications. Previously, we extended gifts to all advertisers." The publisher reports a gift budget equal to less than half of what the firm spent in 1991.

Incentive's annual survey recorded the estimates, practices and opinions of 230 executives who buy business gifts. Only 16 percent of them said they will spend more for each gift this year than last—the smallest such vote in many years. Nine percent plan to spend less per gift, while 75 percent—a new high—will hold the line.

In all, 36 percent said they have cut back total gift expenditures in the past two years. Of these, one-third reduced the number of gifts given; about one-fifth bought lower-priced items; the largest group, 43 percent of them, did both. Only one in four executives thinks now that he or she will restore these cuts in the coming year.

Some more statistics: The average



Top Business Gifts

(Percentage of all items)

Food gifts	14%
Pens/pencils	11%
Desk sets/accessories	10%
Clocks/watches	7%
Liquor/wine	5%
Apparel	5%
Personal items	4%
Glassware/crystal	4%
Caps/hats	3%
Coffee mugs	3%
Home/decorative items	3%
Calendars/diaries	3%
Calculators	3%
Gold items	2%
Radio/TV/VCR	2%
Attache cases/portfolios	2%
Electronic items	2%
Sporting goods	2%
Plaques/trophies	2%
Flowers/plants	2%
Books/subscriptions	1%
Jewelry	1%
Knives	1%
Gift certificates	1%
Trips	1%
Artwork/prints	1%

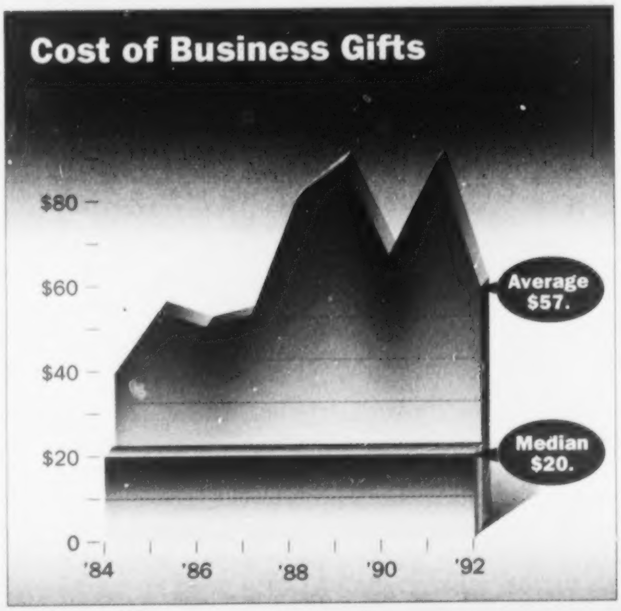
unit expenditure of $57 shows a sharp drop from last year's $81, though the median price tag has stayed the same, $20. The average number of gifts given has risen to 601, up from 443 a year ago. But this statistic tends to be quite volatile from year to year. The median, a more reliable indicator, shows a significant shrinkage in the typical gift list—to 100, down from 125 in 1991.

This is clearly where the recession's impact has been most apparent: While executives now believe they can cut just so much from the cost of a gift without looking cheap, they seem to feel that it's much easier to chop a few names off the list and thus retain a feeling of goodwill among the majority of their customers.

FAVORING CUSTOMERS

Major customers are the least likely to be cut: 72 percent of respondents bestow gifts on them (see chart, page 72), up 5 points from the 1991 survey, while all other groups have been shortchanged. Employees have lost the most ground, with only 28 percent of executives targeting them, compared with the 43 percent who included them a year ago.

Sales prospects have not been among the most popular gift targets in the past, with only 25 percent of companies giving to them in last year's survey; that has dropped to 19 percent. At least one user who gives gifts only to prospects and employees finds the practice effective and thus has not reduced his budget for large numbers of $5 to $7 items. "Our company has been giving gifts to prospects for 20 years," wrote Robert C. Hardy, president of Uniway Management Corporation in Forest Park, Ga. "These gifts are used to help compensate prospects for their time when coming in to our facility. It is in no way intended to influence their decision about our program."


Cost of Business Gifts

'TIS THE SEASON

Christmas remains the most common time of year to give business gifts, favored by 74 percent of respondents. Trade shows and conventions rank as the second-most popular occasion, listed by 35 percent. Well behind are birthdays, mentioned by 11 percent; company anniversaries, cited by 7 percent, and other holidays, mentioned by only 1 percent. The third-place entry was "other," checked by 32 percent who present their gifts to plant and office visitors during company parties, sales calls, presentations, customers' birthdays, and a wide range of miscellaneous events to express thanks and good will.

POPULAR ITEMS

Forty-five percent of buyers list personal merchandise items as their most likely gift choices, followed by desk items at 43 percent. Based on frequency of choice, these two categories represent 52 percent of all gifts selected by these executives, six other categories comprise the remaining 48 percent (see chart at left).

Also, 32 percent of respondents—4 percentage points more than last year—said they personalize each gift with the recipient's name or initials. Using the *giver's* name or advertising imprint, however, remains the most common practice, favored by 64 percent.

How and where do executives buy their gifts? Buying direct from the manufacturer remains the first choice, picked by 47 percent, up from the 44 percent logged in last year's survey. Some feel strongly about this, as does Michael J. O'Brien, sales manager of Renhart Sales Company, a wholesaler in Methuen, Mass., who said, "We started giving business gifts 18 years ago. I would prefer to buy direct, which keeps my cost down. Since I buy at wholesale prices, the suggested retail price makes the present seem to be worth more to the customer."

However, David B. Seidner, president of Lambert Printing and Graphics in New York, takes a retail, route. "Our shopping has become personalized to each client," he wrote. "We have moved away from department stores and shop exclusively at a small crafts shop in the SoHo section of New York City." From such sources, he said, he buys about 20 gifts a year, choosing items that include earrings, pins and sundials.

The users in the survey said they tend to give many more items than they receive. Although giving a median 100 business gifts, they report receiving a median of only five; the highest number reported by one person was 50 gifts.

ETHICAL CONSIDERATIONS

Respondents feel fairly comfortable about the ethics of their gift practices, but 11 percent do admit that their gifts might have "improperly influenced a customer's buying decisions." That's no surprise, since 13 percent said they believe some of the gifts they receive have actually been intended to exert an improper influence.

"Giving a gift," said Joe Tyson, president of Tyson Marketing Inc., Plymouth, Minn., "is just another way of saying 'thank you.' I would not do business with a company if a gift influenced a decision; it means the best gift-giver gets the job."

But an advertising executive at a Northeastern company noted that vigilance remains important: "Our corporate policy has always been that [giving] any gift valued over $100 must be documented and, depending on the size or nature of the gift, it may require corporate approval."

A Midwestern electrical wholesaler has a lower ceiling—his gifts usually don't exceed $25 in cost. "We've been giving gifts for 35 years," he wrote. "We believe in keeping the dollar value at a point that doesn't put recipients in an adverse position, yet continues to show our appreciation for the business they've sent our way."

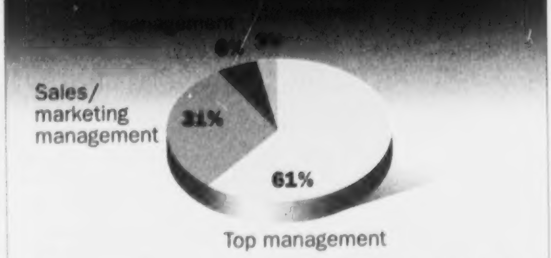
Many companies, of course, do have policies prohibiting acceptance of gifts by their employees. In this survey, respondents said they are aware of such restrictions in about 32 percent of companies they do business with—up 3 points from a year ago. But 39 percent said they sense that such bans have increased over the past two years.

NEW PRACTICES

A Virginia electronics-service firm, for example, has modified its practices somewhat after 25 years of giving business gifts because the president sees as many as half of all firms instituting anti-gift policies. "We are more careful now," he wrote. "The general attitude of acceptance has changed: Small gifts are OK; $25 gifts are received more skeptically. We now wait until after we have an order (annual contract) before offering small tokens of appreciation. The same holds true for lunch or dinner: We wait until the prospect becomes a customer."

Similarly, a computer manufacturer pointed out, "We have been using business gifts primarily at trade shows and other special customer events as long as I have worked here—16 years. My group's philosophy has changed from random giveaways to special items for special events. We place more value on giving the right gift for the right occasion." ☐

1.Who does the buying?



2. Where are gifts given?

Recipient's place of business	77%
Recipient's home	24%
Donor's place of business	23%
Other	5%

3. Sources of gifts

Direct from manufacturer	47%
Ad speciality counselor	27%
Incentive representative	24%
Wholesaler or distributor	23%
Retail store	16%
Mail-order firm	15%
Incentive firm, jobber, stamp company	12%

4. When are gifts bought?

January	12%	July	12%
February	11%	August	16%
March	11%	September	31%
April	7%	October	34%
May	8%	November	27%
June	11%	December	18%

5. How are gifts delivered?

Salesperson	59%
Executive	34%
Parcel service	27%
Mail	23%
Messenger	6%

AUGUST 1992

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INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

WHO'S KILLING TOTAL QUALITY?

AND CAN A MOTIVATED WORK FORCE HALT ITS DESTRUCTION?

SALES KICKOFFS

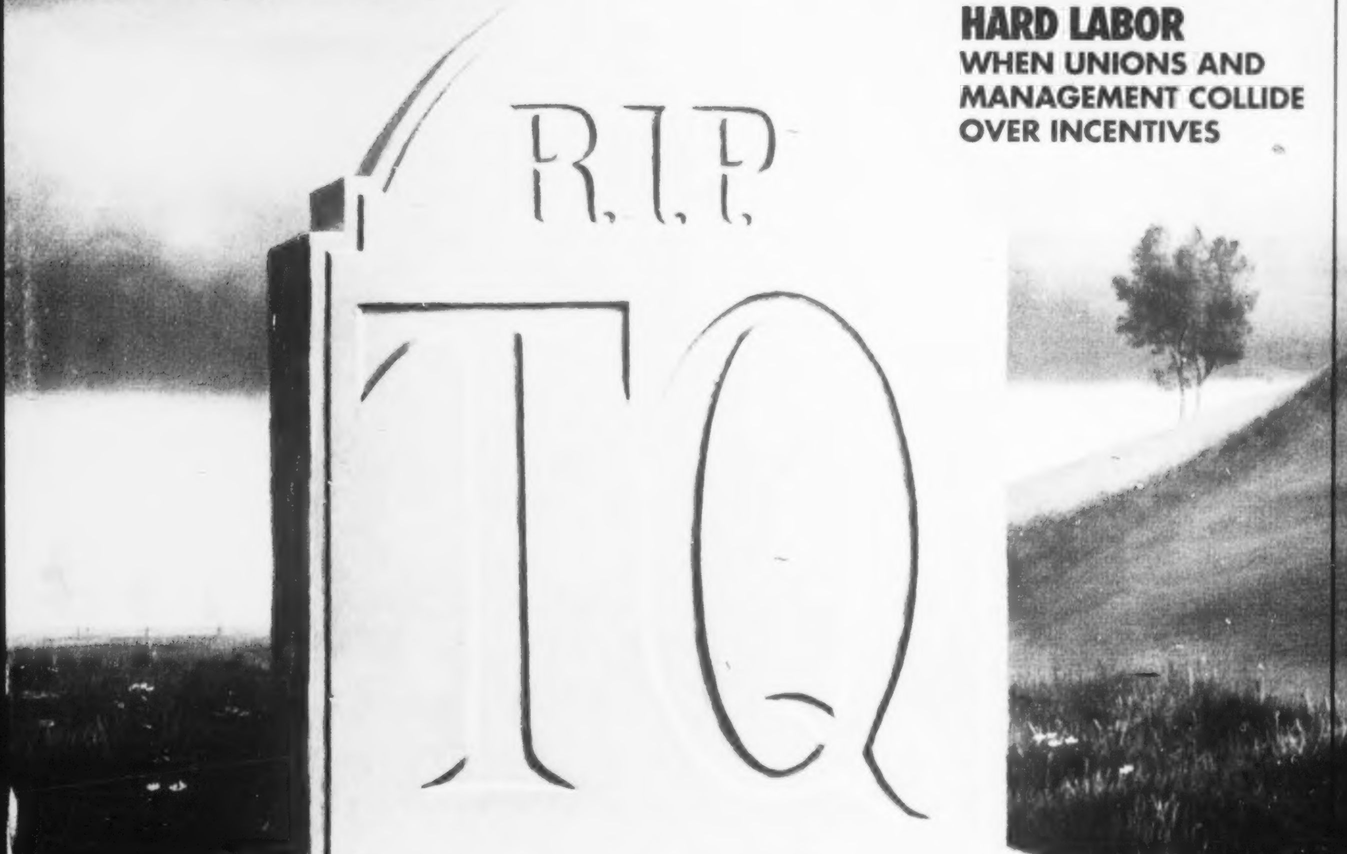
ROLLING OUT THE PROGRAM WITH PIZZAZZ

WHAT DRIVES CAR SALESMEN?

CREATIVE CAMPAIGNS THAT JUMP-START SALES

HARD LABOR

WHEN UNIONS AND MANAGEMENT COLLIDE OVER INCENTIVES



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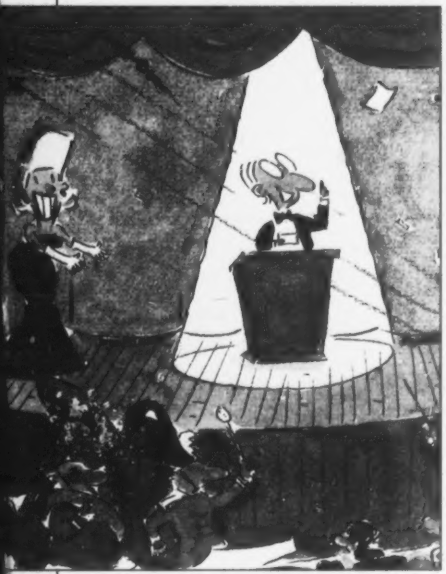

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INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

STATE OF THE UNIONS

Can management sell labor on employee-involvement incentives?

BY REGINA EISMAN

Developing an employee involvement program seldom comes easily, but a unionized work force can throw an additional monkey wrench into even the most well-intentioned corporate plans. Tensions between unions and management often make employees highly skeptical of any type of program—whether it's a work-team system or an incentive plan—that management wants to put in place.

Consultants who have worked with unionized workplaces, however, say that programs can find success in the unionized arena—provided that companies spend money on employee education and training, and make a concerted effort to involve and communicate with workers.

[redacted]

Many of the obstacles faced by companies with unions can be traced to a history of poor labor relations at the company. Unions usually have a more antagonistic relationship with management than non-unionized work forces do. "There tends to be a long history of an 'us versus them' attitude," says Rex Houze, president of Leadership Management Inc., a Waco, Tex., consulting firm.

"I think the main problem is the traditional labor-management relationship, which is adversarial by nature," agrees John Belcher, president of Houston-based consulting firm J.G. Belcher Associates, an adjunct consultant to the American Productivity & Quality Center, and author of "Gain Sharing" (1991, Gulf Publishing Company). "The attitude is that whatever one party wants to do must be bad for the other. Also, unions often think that involvement programs are a ploy to undermine the influence of the union."

William Cooke, a professor at the College of Urban, Labor and Metropolitan Affairs at Detroit's Wayne State University, notes that a union's very existence can impede labor-management cooperation. Non-union employers, who don't have to deal with the power of the union, are free to set employment conditions that they feel will maximize performance and profitability, Cooke points out in an article to be published this fall in "Industrial and Labor Relations Review."

There are other problems, too, such as legal considerations: Witness several recent cases in which unions filed challenges to the creation of employee teams, claiming that such setups violate collective bargaining laws. "Many unions feel that things should be worked out in the collective bargaining process rather than in teams," says Louis Ferman, a professor of social work at the University of Michigan's Institute of Labor and Industrial Relations. "They think, 'We've already negotiated a way of handling problems—collective bargaining.'" In addition, certain team-building methods—such as job rotation and cross-training—sometimes violate union contracts, which might require that people perform only one function. In such cases, contracts might have to be re-negotiated.

CLOSE-MOUTHED

Hurdles like these might explain unions' reluctance to support an employee involvement or incentive program. "It's very difficult for unions to give their blessing to something because they feel it will be cast in stone, so they keep quiet," says Wally Donaldson, marketing promotions manager at BC Tel, a telephone company in Burnaby, British Columbia. When BC Tel set up a program offering incentives to any employee who refers a potential customer, "the union accepted it, but they didn't really comment on it," he says. "I asked the union leader about it, and he said, 'Consider no comment a blessing.' But there haven't been any grievances, and as of May we were up 31 percent in referrals over last year, which I think is a sign that the employees are committed."

Management consultants note that easing transitions to participative management in union work settings isn't drastically different from doing so in non-unionized ones—though, says Patsy Kiser, president of consulting firm Innovative Work Systems in Davidson, N.C., "The union represents an additional player that should be part of the planning and design process." The essential elements of this process: communicating with the workers and truly involving them—rather than just talking about involving them. "When self-directed work teams are even discussed, you need to have a union rep there from day one," Kiser says.

JOINT TRAINING

One way to do that is to teach workers and management together—for instance, holding in-house meetings that both parties will attend, sending managers and union members to the same off-site seminars, even teaming up to go on site visits to the company's plants. "I've had people in my seminars say, 'Oh, yes, our union people are involved in this program,' and then I ask, 'How many of you are union members?' and nobody raises a hand," says Jill George, a work-team consultant for Development Dimensions International, a Bridgeville, Pa., consultancy that specializes in organizational change. "The successes happen when union members and company officials go out and get educated together."

For instance, the United Auto Workers has set up collaborations with the Big Three auto makers. Each company operates a training and development center that's run jointly by a union member and a management-level person.

Don Davis, a union member who is executive co-director of the UAW-General Motors Human Resource

DIVERGING VIEWS

Management and unions have differing perceptions about their respective commitment to joint programs. They disagreed somewhat about management's commitment, but the split was much greater when they rated union commitment.

UPPER MANAGEMENT COMMITMENT

	Management response	Union response
Not a problem	36%	41%
Somewhat a problem	34%	21%
Very much a problem	30%	39%

UNION LEADER COMMITMENT

	Management response	Union response
Not a problem	22%	51%
Somewhat a problem	51%	36%
Very much a problem	27%	14%

Source: "Labor-Management Cooperation," William Cooke, 1990, Upjohn Institute for Employment Research

Center in Auburn Hills, Mich., says that the union-management partnership has gotten stronger as GM has changed its management style. "Participative management has evolved here over the past 10 years," he says. "In the past, companies thought all they needed were people with a strong back and a good forearm, but they now realize that a lot of workers' intelligence is untapped. When you involve workers, they become better employees, they feel better about themselves and they actually look forward to coming to work."

"It's very difficult for unions to give their blessing to something because they feel it will be cast in stone."

Because GM employs 280,000 people who are scattered at 150 plants in 33 states, involvement programs vary from factory to factory. Generally, though, workers are divided into teams that meet daily, or even two or three times a day depending on need. "They ask, 'Is there some way of improving this process? Is there a way of making this more efficient?'" Davis explains. "They discuss anything that relates to the job—whether it's moving a box closer to a worker or giving him an extra tool. People like to be asked what they think." Team members also go through a variety of cross-training so they can rotate jobs with other workers.

Davis notes that while some union members have resisted these moves, many members have realized that the job changes mean job security: "If we don't build a quality car, the company isn't going to sell it, and we're not going to have a job."

Education plays a large role in the use of teams. Davis says that GM has spent more than $1 billion on training over the past seven or eight years. "There's definitely a better relationship between labor and management now; we have a better understanding of each other," Davis says. He adds, however, that there could be even more involvement. "GM is so big that it's hard to keep track of every plant, and we've got plants that are still doing things the old way. There's no way to legislate this. You can't say, 'You have to get involved. You have to look for problems.'"

Houston Belt and Terminal, a railroad switching service, also trains its union employees and managers together, says president Harlan Ritter. Two years ago, the company began offering voluntary training through Leadership Management Inc. The course consists of "modules"—classes that cover everything from personal motivation to handling irate customers. Each person takes all of the modules, even if they don't all apply to his or her job. "We feel everyone should be knowledgeable about what the company is doing," says Ritter. The company recently added quality-improvement courses that include problem solving, working in teams (the company's next step), increasing the payoffs of training and giving feedback.

So far, 175 of the 500 workers have been trained. "The union initially thought it was brainwashing and a lot of propaganda," Ritter says. "But once they took the course, they were saying, 'Wow, I should give this training to my family because this applies to my personal life as well as my job.' There are still people who think it's useless, but the people who have taken it are telling their peers to take it, so we hope that will have an effect."

Along with involvement comes the not-always simple process of communication. "You have to open up the information-sharing process," Belcher advises. "Most companies don't do that very well, which leads to a lot of mistrust. It's vital for companies to communicate information about the business, so they understand the requirements of their customers and the challenges of competition."

STRAIGHT TALK

At Duke Power Company in Charlotte, N.C., communication might make the difference between success and failure, says Kiser, who also serves as human-resources consultant to Duke. The utility had embarked on self-directed work teams even though management wasn't ready for the change, she says. "When the work groups started making presentations to management on what they were doing, how they were doing it, what problems they had—in other words, having frank and open discussions, which they had never done before—management started becoming more supportive of what they were doing," Kiser claims. She recently helped Duke come up with a five-year plan to move toward the team setup.

While unionized workplaces certainly aren't strangers to incentive or employee involvement programs, Belcher believes that more of them are turning to various forms of motivation systems. "I've seen, over the past four to five years, that companies are becoming much more responsive to the professional and personal development of unionized people," he says. Right now, the interest is partly because of the economy. "With companies downsizing, any move that will improve quality is motivational for the employees because nobody wants to be out of a job," says Tom Roth, vice president of product management for Wilson Learning Corporation, a training and development firm in Eden Prairie, Minn.

"Most companies don't communicate to workers very well, which leads to a lot of mistrust."

"I think we've come a long way in the last decade," Belcher says. "It was like pulling teeth 10 years ago just to get unions to *talk* about employee involvement. I'd say most unions today appreciate the need for employee involvement on some level, but there's still a long way to go." ☐

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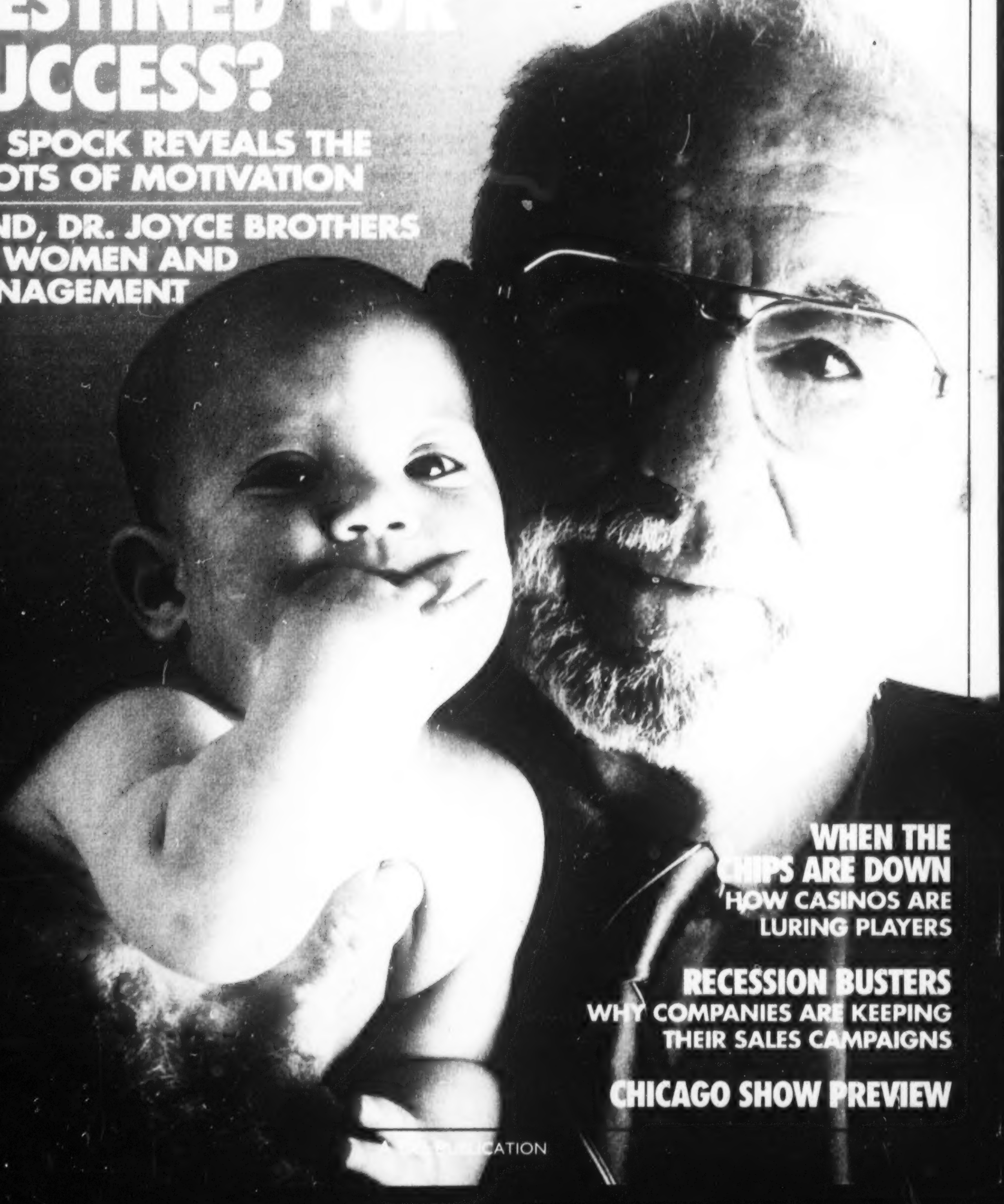
INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

DESTINED FOR SUCCESS?

DR. SPOCK REVEALS THE ROOTS OF MOTIVATION

- AND, DR. JOYCE BROTHERS ON WOMEN AND MANAGEMENT



WHEN THE CHIPS ARE DOWN

HOW CASINOS ARE LURING PLAYERS

RECESSION BUSTERS

WHY COMPANIES ARE KEEPING THEIR SALES CAMPAIGNS

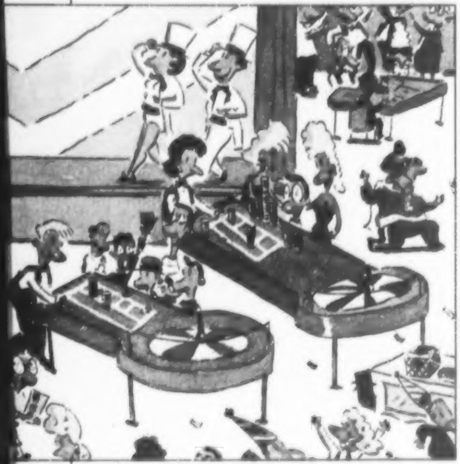
CHICAGO SHOW PREVIEW

A [illegible] PUBLICATION

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

SEPTEMBER 1992
88TH YEAR,
VOL. 166, NO. 9



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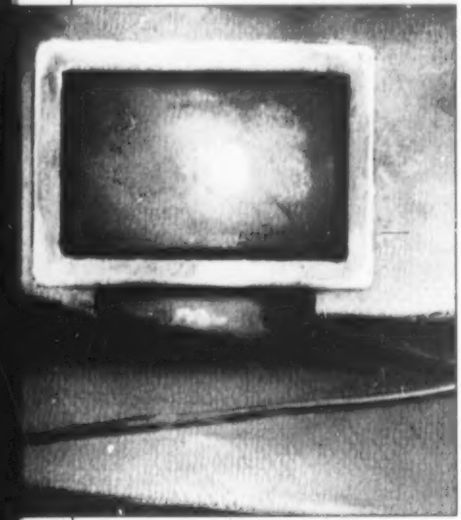

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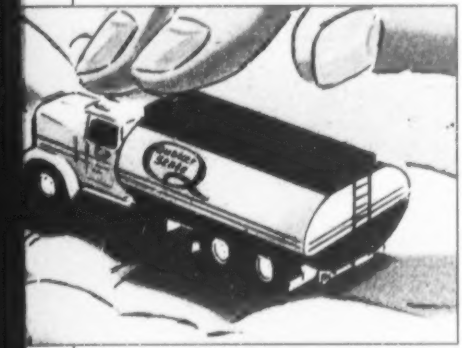

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Cover photo: D. Kirkland/Sygma

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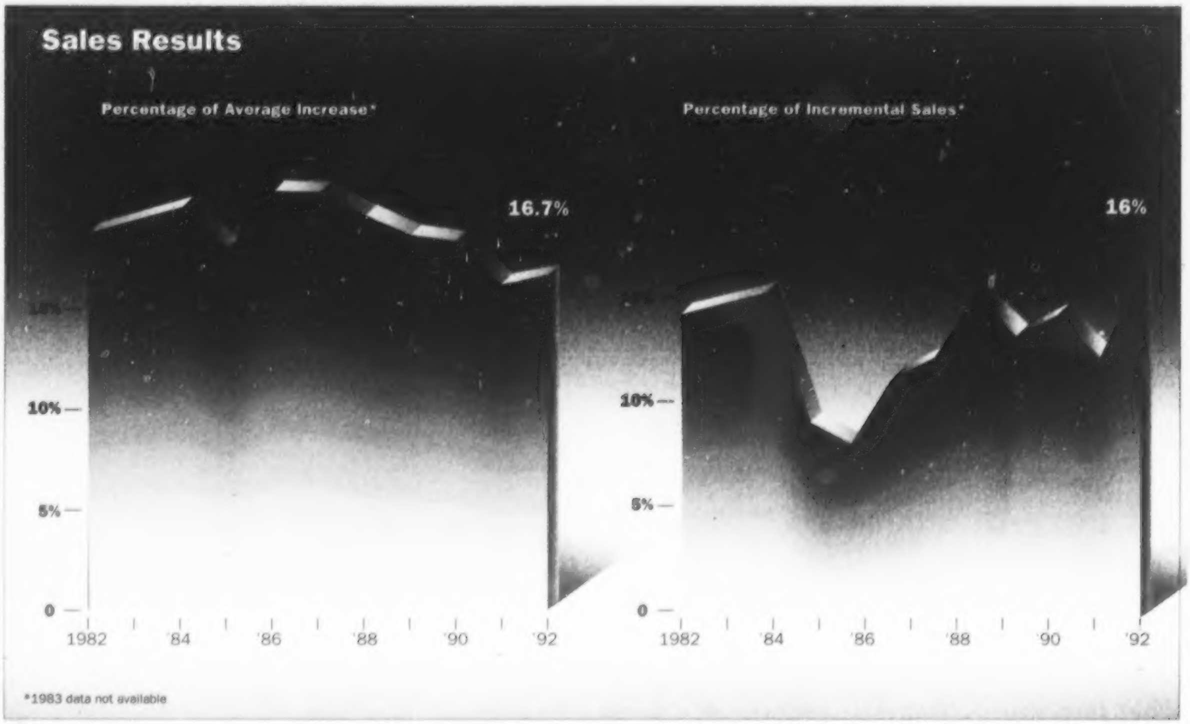

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FACTS SURVEY:
SALES INCENTIVES

Sales incentive users have not cut back on the number or scope of their incentive programs. Nor have they tempered their optimism. What has declined, however, are the sales gains for this year's programs. But at least the programs are netting some modest gains.

Sales gains produced during 1992's incentive campaigns are up 16.7 percent—a half-point higher than last year's gains. While the figures fall well below the 18- to 21-percent yields registered by sales-campaign users during the 80's, certainly sponsors of sales programs appear to be holding their own this year—but with effort.

"We have to spend more money on programs and be more aggressive," writes one respondent, Steven Spuhler, owner of Spuhler Enterprises, a small wholesaler in Blue Bell, Pa. "Only harder work and longer hours will help bring us out of these challenging times." Agrees Allen Yoder Jr., president of Jayco Inc., a recreational-vehicle manufacturer in Middlebury, Ind., "For the past two years, we haven't asked for an increase in volume. We said, 'Just meet last year's volume and we are happy.' If we meet it, we'll go on a trip."

Indeed, because fewer qualifiers are achieving those award-winning quotas, companies may be spending more to achieve those gains. In 1992,

In slow times, sales incentives help maintain revenues and market share. In 1992, that's just what the programs seem to be doing.

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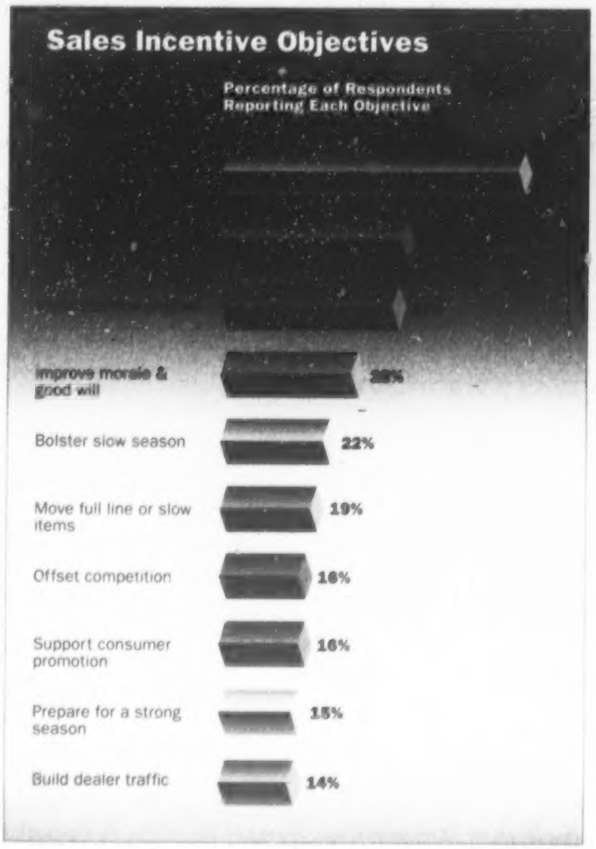
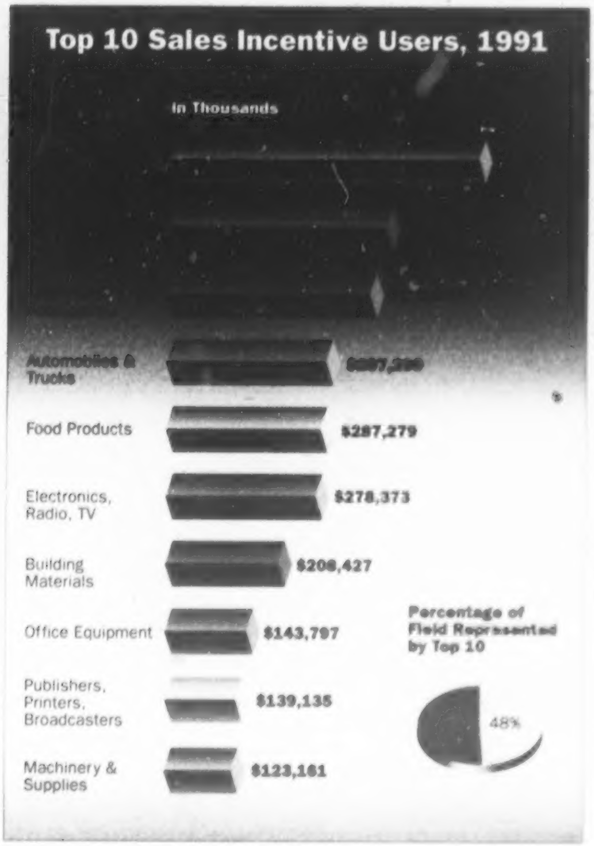
Charts: Dixie Glasgow





for example, only 35 percent of salespeople are qualifying for awards, while a year ago the percentage of those qualifying for trips and merchandise stood at just over 40 percent—close to the average logged in the past 10 years.

According to **Incentive**'s most recent survey of 116 companies that use sales incentives, there is some other disheartening news: Last year, the cost of increasing sales with incentive promotions (expressed as a percentage of the sales gains achieved) represented just 12 percent of the incremental volume, which was lower than in previous years. This year, the survey shows, it costs even more to produce just about the same results. The percentage has jumped to 16 percent, higher than any year's average since the mid-70's. The good news is that the median remains at 10 percent—where it has been for six consecutive years.

Spending for sales incentives has slowed down. For all trade incentives—company sales programs and dealers' sales campaigns—respondents who gave budget figures for 1991 and 1992 plan a 4-percent dollar increase this year—barely keeping pace with the rate of inflation. Last year, expenditures for sales incentives rose 4.6 percent, for a total of about $5.9 billion.

> **"For the past two years, we haven't asked for an increase in volume. We said, 'Just meet last year's volume and we are happy.'"**

Promotion, often cited by incentive experts as the most critical element of producing a sales campaign, appears to be drawing less attention in these tough times. On average, respondents devote 17 percent of their total budget to collateral materials and other costs (compared with 19 percent last year), with the remaining 83 percent going toward purchasing awards.

REWARDING TRENDS

The cost of merchandise and travel awards, meanwhile, has held steady. While the average merchandise prize costs these users an average of $186—well below the $298 recorded in last year's survey—the more significant (and stable) median cost remains unchanged: $100 per merchandise award. (The averages tend to fluctuate rather wildly from year to year; a couple of big spenders can distort them at any time.)

The same trend holds true with travel: Where the average trip cost is $2,225, down from last year's $2,420, the median has stayed even, at $2,000. Steven Veurink's comments reflect this. The product manager for Gordon Food Service in Grand Rapids, Mich., writes, "For travel awards, we have cut the number of international trips, but have added more domestic options of higher quality."

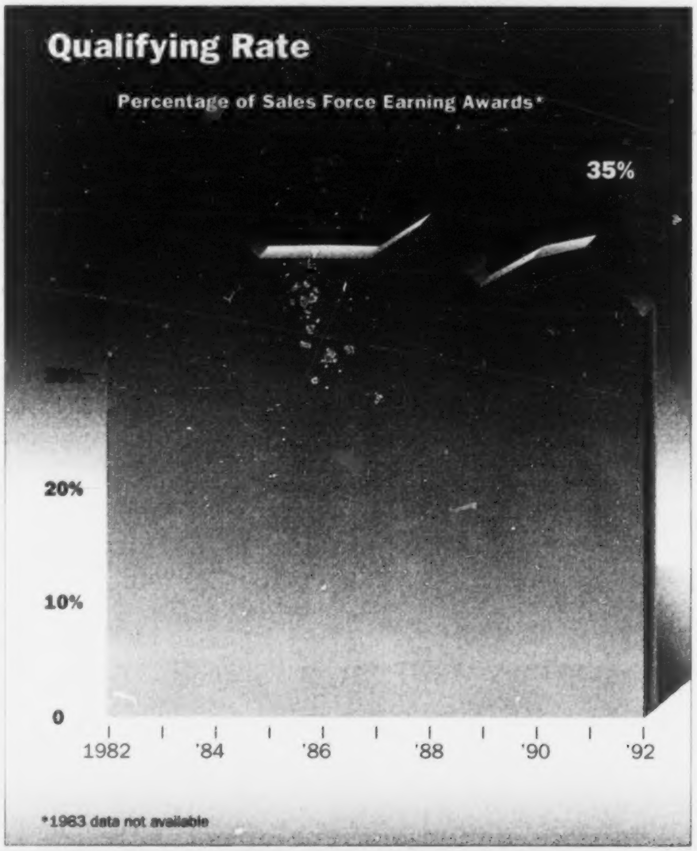
AND THE WINNERS ARE...

Who's winning all the awards? Most winners are company-employed salespeople, targeted by 68 percent of respondents. "We're looking for the greatest return for the monies expended, so we're shifting the emphasis of our sales incentives to our front line," claims an executive with IMO Industries Inc., a Cleveland-based manufacturer. "We have reduced the manager's level of participation while maintaining the full value for our direct salespeople, thus reducing the total cost but still retaining the full value."

Spending for sales and trade incentives has slowed down: Executives budgeted a 4-percent dollar increase for 1992 programs.

Still, company-employed salespeople are outnumbered in total by all the other types of audiences, which add up to 78 percent. (The total exceeds 100 percent because the average company directs its promotions at more than one type of salesperson.) Thirty-two percent of non-employee programs target manufacturers' representatives and agents; 19 percent target wholesaler or jobber sales forces; 17 percent, retailer salespeople, and 2 percent, door-to-door or party-plan sellers.

Overall, 88 percent of the surveyed



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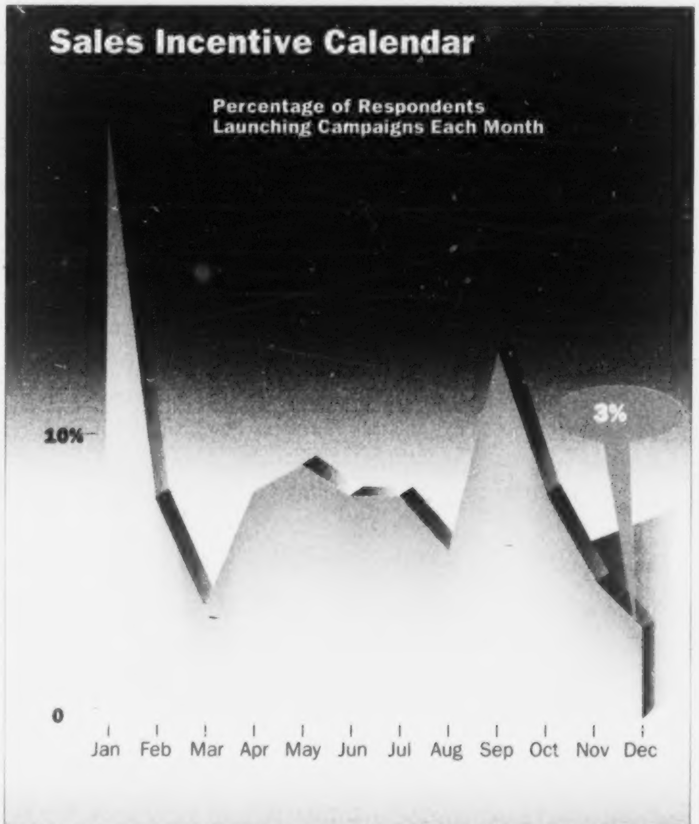

executives offer merchandise incentives, and 70 percent use travel—indicating a substantial number favoring both. (Merchandise and travel awards are often combined in the same program.) While many users say they favor using both travel and merchandise in their motivational programs, the fact remains that only 33 percent of executives actually practice the principle. At the same time, 53 percent of them feature travel alone in at least a few of their campaigns.

This year's numbers show 43 percent of participants winning merchandise and just 26 percent earning travel awards. This rift is reflected in prior years; for example, last year the survey showed 51 percent of all participants qualifying for merchandise offerings and 34 percent winning trips in the U.S. or overseas.

Types of Awards

Single premium or group of related items	50%
Group travel award	37%
Merchandise selection from incentive house	27%
Individual travel award	26%
Own catalogue	12%

Merchandise Suppliers

Wholesaler or premium jobber	48%
[illegible]	33%
[illegible]	32%
[illegible]	16%

Travel Suppliers

Travel agent	56%
Full-service incentive house	26%
Travel/tour wholesaler	15%
Travel carrier or hotel	13%

Final Buying Decision

President, CEO, executive vice president, general manager	56%
Director of sales or marketing	37%
Director of advertising or sales promotion	4%
Product manager or merchandising manager	3%

WHAT ARE THE GOALS?

When targeting their promotions this year, users have shifted their emphasis slightly away from full-line selling toward a more selective market push. This trend is reflected in two of the more popular choices.

The top-ranked goal for sales campaigns remains "increasing overall value;" while "featuring selected items" comes in second.

"Featuring selected items"—the strategy picked by 48 percent this year—is up over the 40 percent registered in 1991, while "promoting the full line," chosen by 42 percent this year, is down from 54 percent last year. The top-ranked goal—"increasing overall volume"—remains at 65 percent, about where it has been for several years.

Regarding other campaign objectives, the objective of "introducing new products," a 47-percent second choice in 1990, fell to 41 percent last year, and is now a key target in only 37 percent of sales programs. "Selling new accounts" is still an attractive goal, favored by 39 percent—but economic realities have pulled it down from its strong showing of 53 percent a year ago.

When planning their merchandise-oriented sales campaigns, respondents report that they average 14 weeks of preparation, while the actual campaigns last 13 weeks. That compares with 17 weeks of planning for a 13-week run a year ago. Travel users spend 37 weeks getting ready for their 33-week program, up from 31 and 29 weeks, respectively, in 1991.

However long the planning and qualifying periods are, most respondents express some vehemence in retaining their sales programs in tough times. "We find it completely necessary to continue to motivate our people," claims Dan Bonin, director of Wax Shop, an auto parts firm in Bakersfield, Calif. "Momentum flows from the top. If we slow down, so will they." □

How Diet Centers Gain Clients • Should You Use Buy-Ins?
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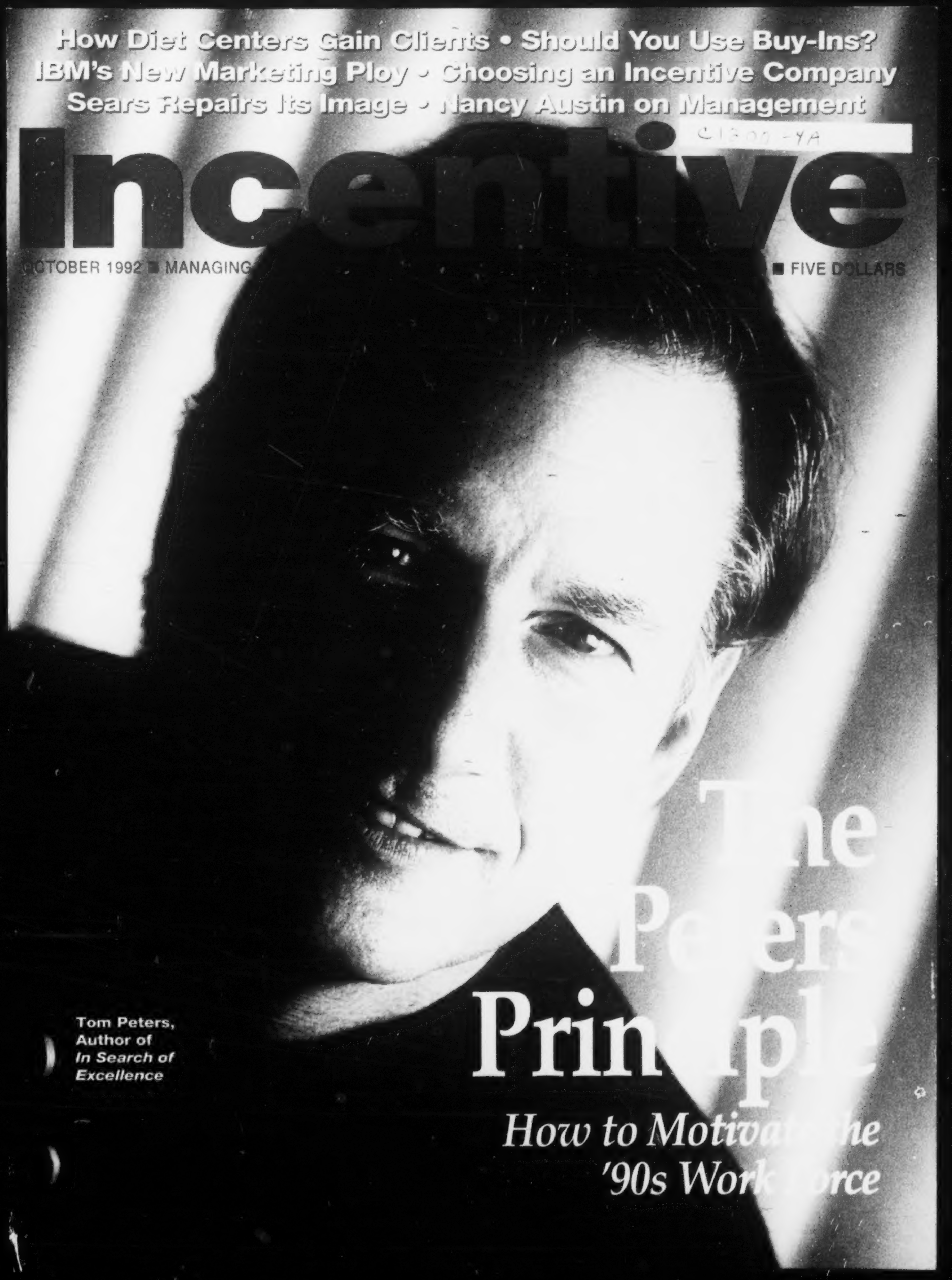

The Peters Principle

How to Motivate the '90s Work Force

Tom Peters,
Author of
In Search of
Excellence

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Cover Photo: Robert Holmgren

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Travel Advisory: The 1992 FACTS Survey

This year's survey shows travel planners doing more with less, as travel programs flourish in spite of the economy. But something's got to give...

Incentive travel users are spending more on their motivational programs this year, but so far have few gains to show for their investment. In fact, figures from *Incentive*'s latest FACTS survey of incentive travel show that this year's campaign results are only slightly outpacing the mediocre returns of 1991.

Respondents, perhaps optimistic that the economic downturn will soon end, say they boosted travel incentive spending significantly. Budget figures of the 180 firms surveyed are a healthy 6.5 percent ahead of actual spending in 1991. In comparison, last year's survey revealed a slim 2.9-percent increase in incentive travel expenditures over the previous year's outlays. While total spending for incentive travel was estimated at $2.63 billion last year, the 1992 year-end total will come to about $2.8 billion if the industry as a whole keeps pace with the spending patterns of the survey respondents.

But sales gains have been disappointing, and not nearly commensurate with the increased investment in travel incentive programs. Executives reporting sales results of their incentive campaigns show average gains of just 15.2 percent, only slightly better than the 14.5 percent reflected in last year's study. These results are even more disappointing when compared to the sales increases of the previous six years, which ranged between 17 and 21 percent.

Cost vs. Incremental Sales

Program costs, as a share of incremental sales, have come down slightly to 10.8 percent, compared to the 11.3-percent average for a similar survey group a year ago. This means that $10.80 in incentive campaign costs was spent for every $100 that was gained in

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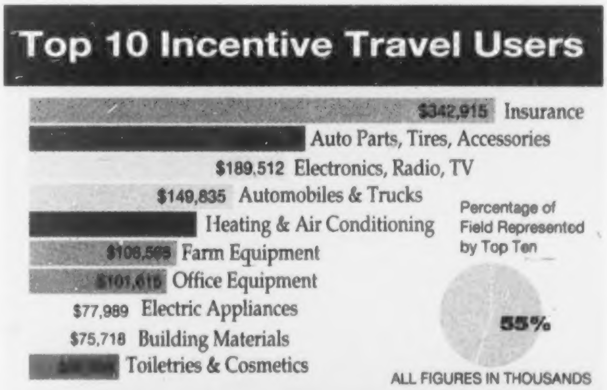
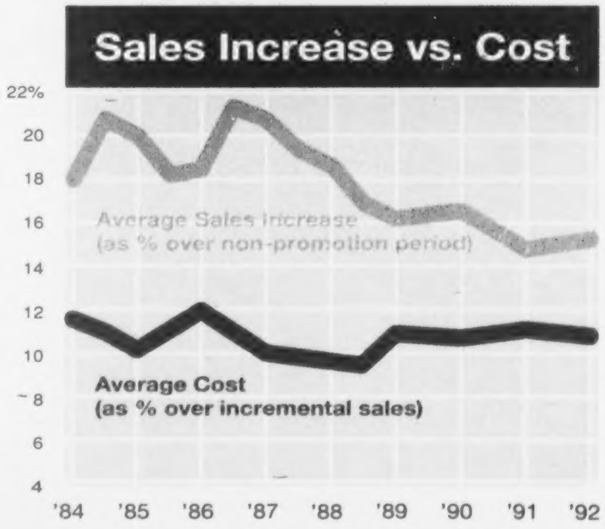
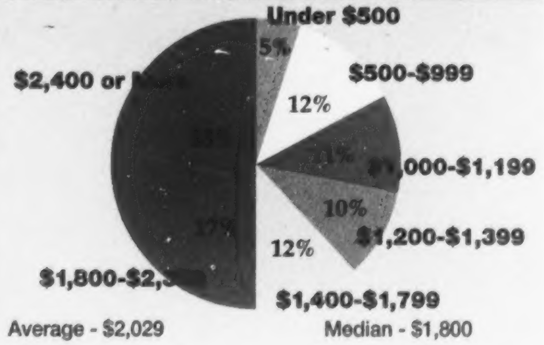




Cost of Incentive Trip



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incremental sales. Per-person costs for trips have risen to a median of $1,800, up from $1,600 in 1991.

Because users have seen a slight drop in the number of qualifying participants compared with earlier surveys, they have had to buy fewer airline tickets and hotel rooms. During the past four years, an average qualification rate of 35 percent had been reported; this year's rate is 34 percent. While significant drops in the number of qualifiers usually lead to higher travel costs, the hefty 12.5 percent increase in unit trip cost reported this year cannot be attributed to the meager decrease in the number of qualifying participants.

Focus on Cost Control

Facing higher travel costs during the recession, users are finding ways to keep the overall cost of their programs from becoming prohibitive. But rather than chopping out any components of their incentive travel budget, most users report revising their qualification criteria to maintain their programs for the same dollars. Surprisingly, no single budget area shows an across-the-board cutback this year; every one of six budget lines averages exactly the same percentage share as last year. (See chart below.)

Cost control takes many forms. Erie Insurance Group of Erie, Pa., for example, has a program with a built-in safety valve. "Our scoring system is commensurate with our trip costs, so containment is not an issue," says Steve Thompson, assistant vice president and manager of marketing at Erie. Thompson adds that he finds recessionary times most conducive to running an incentive campaign. "But in order for the incentive to be worth working for, everything must remain first class," he says, explaining why he hasn't cut back on travel program budgets.

An insurance company with a different approach is West Bend Mutual Insurance Co. in West Bend, Wis. "We have not made any significant changes in our program, with the exception of making it a closed-ended travel program," says vice president of sales Terry D. Tighe. "Only our top 75 point earners are awarded the trip, while other program qualifiers receive merchandise awards valued at $1,000."

Besides manipulating the program structure to control costs, many users are looking at small ways to save a few dollars here and there. An insurance-company manager, for example, says, "We look for free promotional items from tourist boards, hotels and DMCs, and spend that portion of the budget to keep the scale of the incentive trip up."

Edward P. Rosania of Travelers Insurance Co. in Wethersfield, Conn., says he looks for savings in several places. Among them: "Renegotiating food and beverage costs and room rates; reducing amounts allocated to non-essentials such as gifts; closer monitoring of food and beverage guarantees; scrutinizing bills more closely; and manipulating issuance of airline tickets to obtain best fares."

At Metromedia Communications Corp. in East Rutherford, N.J., advertising and promotion manager John P. Crawford cuts some cost items and also structures his program to provide savings. "For short-term incentive travel we compressed the overall agenda. Trips are shorter, packed with business content, and frills are cut back. For annual reward travel we moved to a two-tiered program which provides greatest frills to the upper tier while the lower tier has a shorter stay, with qualifiers doubling up in the hotel rooms."

Yet another approach, borrowing funds from other company coffers, works for some. At Konica Business Machines, Windsor, Conn., Robert E. Lee has increased the travel incentive budget substantially. To support the growth and maintain effectiveness, he says the company has "cut back on hospitality at major trade shows."

No Place Like Home

While some users say they are controlling costs by moving their incentive trips stateside, 57 percent report still using foreign destinations. (See chart on top destinations, page 153.) Forty-five percent of respondents use a mix of both foreign and domestic venues, but of those, 88 percent said they preferred domestic sites. Accordingly, the bulk of spending—71 percent—falls on the domestic side, with just 29 percent of total expenditures going to international trips.

J. I. Case Co., a maker of farm and construction equipment in Racine, Wis., has taken groups of 300 to incentive destinations as far away as Australia. But Case's Laura Degrott says the firm this year has reduced the

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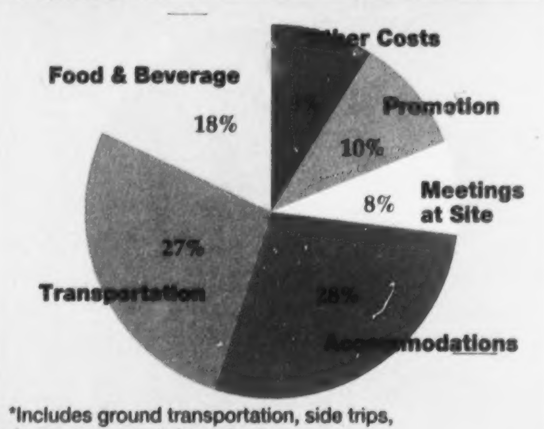
Where the Travel Budget Goes



*Includes ground transportation, side trips, insurance, entertainment, etc.

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length of the trip and limited sites to the continental United States.

Most of the dollars spent on both foreign and domestic incentive travel are for awards to salespeople, who make up 63 percent of the total. That share is up slightly from the 59 percent reported in 1991. About 25 percent is allocated for dealers, and 12 percent of expenditures are for non-sales employees. Company-employed salespeople are the largest group among the sales-force travelers, targeted by 80 percent of these executives. But four other groups receive a lot of attention, 89 percent in all: distributor and dealer salespeople, independent reps and direct-selling personnel.

Distributors and dealers are courted by 24 and 35 percent, respectively. And 9 percent of incentive travel users aim their campaigns at unspecified "others." The range of participants seems to be broadening, with executives targeting an average of 2.7 different groups with their incentive programs, up from 2.3 a year ago.

What Price Travel?

While incentive travel spending is up, it may be coming at the expense of merchandise programs. There is evidence that many of these users are shifting funds from merchandise to travel spending, rather than increasing their total promotional outlay. This year's 6.5-percent increase in travel spending was apparently offset by a 7.2-percent decline in merchandise purchases compared to last year. The result is an almost 2-percent decrease overall in total expenditures for incentive programs. Three out of 10 of these companies also use consumer incentives, and they report a significant increase in spending over last year, investing 14 percent more for consumer premium promotion than they did in 1991.

Bringing in more cash is always an important objective of incentive travel programs, and even more so this year. In recent years, among 10 listed goals, "increasing overall volume" has been chosen as the primary objective by about 65 to 70 percent of survey respondents; in 1991 it was chosen by 70 percent. This year, 82 percent chose it as their principle objective.

Travel Incentive Objectives

(Percentage of respondents reporting)

■ Increase overall volume	**82%**
■ Improve morale/good will	**52%**
■ Sell new accounts	**43%**
■ Introduce new products	**37%**
■ Offset competition	**30%**
■ Move full line or slow items	**26%**
■ Bolster slow season	**22%**
■ Support consumer promotion	**22%**
■ Build dealer traffic	**19%**
■ Prepare for strong season	**14%**

Improving morale and good will, another popular goal of travel users, is cited by 52 percent, up 1 point from last year. The third most common objective, selling new accounts, gained ground to 43 percent, up from 39 percent last year. Overall, these executives say they use incentive travel to meet an average of about three and a half different objectives—though not necessarily all of them in a single promotion. (See table above.)

More Meetings

More of these users are planning group trips than they did last year, and report larger group size, longer trips and more on-site business meetings. Now, 74 percent use group trips, up dramatically from 59 percent in 1991. Individual travel awards have slipped to 35 percent, down 11 percentage points from last year's survey. The percentages indicate that a scant 9 percent use both types of award. Group size has increased to a median of 88, from 50 in the last study, and trip duration has increased to six nights, up from an average of five, although some respondents have actually shortened their stays. Business meetings are featured by 64 percent of these users, up from 51 percent last year, with the average time allotted to meetings increasing to an average of 10.4 hours during the course of the trip, compared with 9.5 hours last year. Spouses (or other guests) are included by 89 percent, up a couple of points from 1991 figures.

There is a small paradox in these marketers' answers to two questions concerning program structure and budgets. The majority—75 percent, up 3 points from last year—say their programs are open-ended, with all who reach quota qualifying for a trip. Only 25 percent report running closed-ended programs, or working toward a predetermined number of winners. Yet 71 percent (compared with only 57 a year ago) work with a set budget, determined in advance. Only 17 percent base budgets on a percentage of sales forecast or of added sales; another 12 percent use regular promotional funds. But none explained how they manage

Top Incentive Destinations

DOMESTIC	WESTERN HEMISPHERE	OVERSEAS
#1. Hawaii	**#1. Mexico**	**#1. United Kingdom**
2. California	**2. Caribbean**	**2. France**
3. Florida	**3. Canada**	**3. Switzerland**
4. Nevada	**4. Bermuda**	**4. Hong Kong**
5. Arizona	**5. Caribbean Cruises**	**5. Australia**
6. (Tie) New York Domestic cruises	**6. Puerto Rico**	**6. Italy**
7. Colorado	**7. Virgin Islands**	**7. Monaco**
8. South Carolina	**8. Bahamas**	**8. Spain**
9. Louisiana	**9. Jamaica**	**9. Portugal**
10. (Tie) Texas Massachusetts	**10. South America**	**10. Austria**

Travel Facts In Brief

Programs per year (median)

Domestic: 2
Foreign: 2

Group Trips

Users: 74%
Average number of participants: 167
Median number of participants: 88
Average length: 6 nights

Business meetings

Hold meetings on trips: 64%
Average number of hours: 10.4

Buy-Ins

Allow participants to buy-in: 32%
Average percentage of buy-ins: 30%

Merchandise

Companies that use it with travel: 60%

Consumer travel

Users: 23%
Pay for it: 80%
Trade for it: 26%

Decision makers

President, CEO, exec,VP: 65%
Sales/Marketing director: 20%
Meeting planner: 7%
Product/merchandise manager: 5%
Advertising/sales promotion director: 4%

to run an open-ended campaign on a fixed budget.

One answer may be the plan of Debra Donahue, incentive coordinator at Bayard Sales Corp., a Philadelphia wholesaler—"We have tailored our programs to be a bit more attainable by changing the requirement structure and enabling dealers to purchase out a greater portion of the incentive." Bayard's program results in a very large percentage of buy-ins for the firm's group trips. Total participation in the trips is 75 percent, including buy-ins.

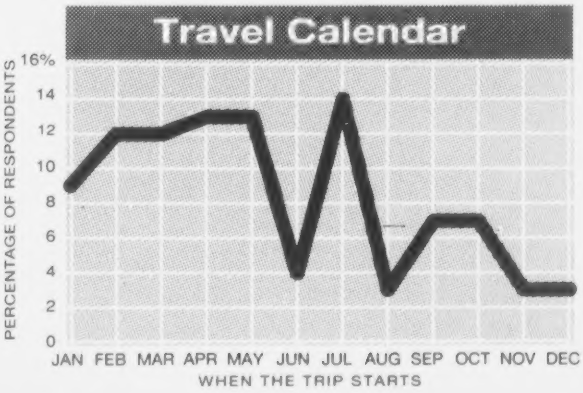
A large equipment manufacturer who reports using both open- and closed-ended programs has adopted a very flexible policy to cope with the current economic conditions. One of the company's executives says he has "adjusted some bases and/or goals in specific dealer territories where it was necessary to keep the dealers focused and involved in the program. The adjustment, of course, lowered our expectations of increased sales, but the attitude was that we would be worse off with no program at all." He says the adjusted qualification criteria have resulted in a 15-percent sales gain in recent programs, down from previous typical gains of about 20 percent. Participation rates are very high, with 90 percent of dealers qualifying for the company's domestic trips.

Survey results show that program planning and duration times have both been lengthened. Start of planning and selection of a destination now averages 42 weeks before the trip, up from 38 weeks last year. And the selling period has been lengthened from 29 weeks to 31. The longest planning time reported in this year's survey was 3 years—the shortest, 3 weeks. Qualifying sales periods ranged from a week-long quickie to 104 weeks for a number of companies that conduct trips every other year.

The majority of quotas for campaign performance are tied to a targeted increase in sales, the approach taken by 53 percent in the present survey, down 4 percentage points from last year. The alternative approach of setting quotas based on the program's budget requirements is now favored by 39 percent, up from 36 percent a year ago.

The role suppliers play in controlling costs may be part of the reason for an increase this year in the preference for full-service incentive companies as the travel source. The surveyed executives chose them in 32 percent of cases, up from 23 percent a year ago. The popularity of local travel agents has dropped to 33 percent, compared with 43 percent in the '91 study. Reliance on in-house staff is still the top choice for a planning source—preferred by 44 percent in this survey, up 2 points from last year.

Travel Calendar



Measures of Success

In users' setting of program objectives, we found many more seeking to "increase overall volume" than in past years. Unfortunately, that objective hasn't been met for as many people this year. "Total units/dollars sold" is usually the top measurement, and is listed by 51 percent in this year's survey. But this has dropped from 66 percent a year ago. Percent reaching goal or quota is still the second most popular measure of program success, and has gained a bit—to 50 percent, up from 42 percent last year.

More weight is also put on increasing market share—now 30 percent, versus 25 percent in '91. Profit on incremental sales is relatively firm at 24 percent, down a point from last year's survey. And branch or district performance carries a little more weight with these executives—21 percent—than the 17 percent shown last year. The total exceeds 100 percent because the respondents consider, on average, about 1.4 different ways of gauging their end results.

In light of the weak sales increases, perhaps the most satisfied executives this year are those who don't count sales dollars so closely, but concentrate on ancillary benefits that make their travel programs worth the cost. For example, a large electrical manufacturer says, "Being in cyclical industries, we're not tied to awards based on a certain quota. Our overall thrust is on total service, followed by sales."

And an Eastern wholesaler finds a valuable by-product in "getting more non-sales people involved and by letting them participate in trips. We have found over the years that non-sales employees often feel ignored—that without their support the salespeople would fail. By getting active non-sales help and support, our business has grown in the past few years." ■